City of Poulsbo

Washington

Annual Comprehensive Financial Report

For the fiscal year ended December 31, 2025

CITY OF POULSBO

WASHINGTON

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the fiscal year ended

December 31, 2025

Assistant City Administrator/Finance Director
Deborah Booher

PREPARED BY

THE CITY FINANCE TEAM:

Assistant City Administrator/Finance Director

Deborah Booher

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Larissa Campbell

Senior Accountant

Jenna Reiselman

Accounting Technician

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Accounting Technician

Richard Neyhart

Accounting Technician

Sandi Ryen

Accounting Clerk

Gretchen Harmon

Accounting Clerk

Jon Jennings

Accounting Clerk

Joe Martin

Accounting Clerk

Maria Quennet

Cover Photo captured from an aerial shot and provided by Wally Hampton/Shutterstock.com, featuring Poulsbo's Downtown & Liberty Bay.

For comments or questions, contact
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360.394.9881

CITY OF POULSBO
Annual Comprehensive Financial Report
For the Fiscal Year Ended December 31, 2025

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CITY OF POULSBO

VIKING CITY

City of Poulsbo

June 29, 2026

Mayor Stern,
The Poulsbo City Council, and
Citizens of the City of Poulsbo, Washington:

I am pleased to provide the Annual Comprehensive Financial Report (ACFR) of the City of Poulsbo for the fiscal year ended December 31, 2025. This report is published yearly as the official annual financial report and complies with state law (RCW 43.09.230) requiring annual reports for Washington municipal governments to be certified and filed with the State Auditor's Office in a timely fashion.

As management for the City, we are responsible for both the accuracy of the data and the comprehensiveness and fairness of the presentation, including all related disclosures. The City operates under a system of accounting internal controls that are concerned with the safeguarding of assets and the reliability of financial records. The definition of accounting control assumes reasonable, but not absolute, assurance that the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognizes the cost of internal controls should not exceed the benefits expected to be derived.

Cities and counties of the State of Washington use the Budgeting, Accounting and Reporting System (BARS) developed and prescribed by the Office of the State Auditor. State law provides for an annual independent audit to be conducted by the Office of the State Auditor.

As a recipient of federal, state, and county financial assistance, the City is required to undergo an annual federal mandated "Single Audit" designed to meet the special needs of federal grantor agencies, if the proceeds exceed $1,000,000 per annum. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

Generally Accepted Accounting Principles (GAAP) requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of *Management's Discussion and Analysis (MD&A).* This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Poulsbo's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

The City of Poulsbo is located in Kitsap County, west of Seattle, on the ancestral lands of the indigenous Suquamish People, for whom this place was known as Tcu Tcu Lats, or the "Land of the Vine Maples". Originally settled by Norwegian immigrants in the late 1800's on Liberty Bay, a fjord of Puget Sound, Poulsbo continues to maintain its Scandinavian legacy through its architecture, celebrations, and hospitality. Holding to its Scandinavian heritage has earned the City the nickname "Little Norway" and visits from two Norwegian Kings.

The City of Poulsbo has a strong Mayor form of government, organized under the Optional Municipal Code as provided in State law. The Optional Municipal code confers a limited form of "home rule" to those municipalities organized under this provision. The City Council is the policy-making branch and is responsible for, among other things, passing ordinances, exercising legislative and quasi-judicial functions, and adopting the budget. The independently elected mayor is the executive officer of the City, but part-time as of 2026. In late 2024, a City Administrator was appointed by the Mayor to manage the City's daily business, supervise all departments and offices, and carry out council's policies by directing the work of city staff. The seven members of the City Council and Mayor serve four-year staggered terms, with four council positions up for election one year and then two years later, the Mayor and the remaining three council positions appear on the ballot.

To provide a full range of services to its citizens, the City of Poulsbo is divided into departments, financial management, and control systems. Services provided include police protection, maintenance of water and sewer services, garbage disposal and recycling, street maintenance, construction and repair of facilities and assets, municipal court, land use administration, and general administration. The City designs and maintains many parks and green spaces, coordinates recreation activities, fosters neighborhood livability, and works to preserve the City's environmental quality and historic legacy. Additional information may be found in the Notes to the Financial Statements; thus, readers are encouraged to review this Annual Comprehensive Financial Report in its entirety.

The Poulsbo City Council is responsible for adopting the biennial budget. Budgets are managed by bottom line and adopted at fund level. Requests for budget amendments are first reviewed by the City Administrator, Mayor, and Finance Director, then are put before the City Council for approval as they result in a bottom-line adjustment to revenues and/or expenditures. Appropriations beyond budgeted amounts require council approval in accordance with RCW 35A.33.120 and to be compliant with the City's Financial Management Policy they require a super majority of council approval. Quarterly, the budget ordinance is updated and approved by City Council recognizing the amendments approved throughout the quarter.

Local Economy

Poulsbo has evolved from a small town with fishing and farming as its chief industries into a city which has marketed itself as the hub of the North Kitsap Peninsula; a very attractive place for people to live, work, & visit.

Poulsbo's economy is largely influenced by the presence of significant Naval bases, its geographic location for a workforce commuting to Seattle and other large cities, as well as an entrance point for access to the Olympic Peninsula. Serving as North Kitsap's commercial and employment center, Poulsbo has been able to maintain a conservative growth of economy. Economic development continues to diversify consistent with the City's long-range plan. The City encompasses over 3,459 acres, and for economic analysis and contrasting purposes is divided into four geographical areas:

- Central — Downtown Poulsbo – the Historic area and waterfront
- West Side — Junction Area – Viking Avenue Corridor
- East Side — State Highway 305 and Lincoln Hill
- Northwest Corner — College Market Place

Centrally located in the heart of Poulsbo, the downtown area has preserved its history, which includes the restoration of many of the original buildings. Graced with a photogenic waterfront parkway and boardwalk, the area invites tourists to shop and spend an afternoon or weekend. Poulsbo's waterfront is active year-round and is a favorite destination for day excursions and vacationing boaters. Poulsbo continues to be known as a destination dining locale, with various options for City residents and visiting tourists to enjoy. A growing number of breweries and tasting rooms are also located in Poulsbo, situated between downtown and the Viking Avenue Corridor. Along with commerce, City Hall is also located in the heart of historic downtown. With all City Departments except for Public Works and Parks and Recreation under one roof, this centralized location provides a one-stop shop for City residents.

Multifamily housing in the form of apartments are the newest building additions downtown. The Sophie Apartments located on Jensen Way were completed in 2023, and the Eliason Square Apartments between Front Street & 3rd Avenue were completed in 2025. Northeast of downtown on Lincoln Rd, the City and its partners completed an 8-unit affordable housing project for seniors known as Nordic Cottages. Currently under construction is the proposed Vanaheimr Apartment Mixed Use building in the old Police Station on NE Hostmark St, with plans for retail space on the main floor and residential spaces on the upper floors.

On the west side of the City, the Viking Avenue Corridor is a five-lane highway including a turn-lane spanning the length of the City limits. The avenue contains sidewalks on both sides designed to maximize pedestrian and bicycle safety. The corridor hosts various businesses and restaurants and provides access to two bustling City parks. The City, with hundreds of volunteers, have worked on the development of the 40-acre Fish Park that boasts trails, boardwalks, viewing platforms, interpretive signs, a small natural amphitheater, and numerous forms of wildlife.

On the south end of Viking Avenue at the edge of City limits is the new Kitsap County Fire District 18, Poulsbo Fire Department's fifth station. The presence of Station 76 will significantly reduce initial response times to the west side of the City of Poulsbo. It provides space for three emergency response vehicles and houses up to four on-duty firefighters.

In early 2024 the City Council approved cannabis retail in two commercial zoning districts with a limit of two businesses within City limits.

Fishline, a local food bank and non-profit agency located on Viking Avenue, provides support to citizens in multiple ways including rental and utility assistance. The purpose of the facility is to provide for those in need of food and other social services, especially in the north end of the county. In the annual impact presentation to the Poulsbo City Council, Fishline reported over 93,000 visits in 2025 and nearly 10,000 individuals served. In 2024 Fishline opened the market on Saturdays, a service not available at other food banks in the area.

The north end of Viking Avenue is home to the new Public Works Facility. Improvements were completed to house the administrative function of Public Works, and future phases will accommodate the remaining operations. A Kitsap Transit station is located across Viking Way from the Public Works facility, providing options for public transportation, and serving multi-family (apartments/condominiums) and single-family dwellings added along the corridor within recent years. The improvements and continued development support the economic growth of the Viking Avenue Corridor, and the Mayor and City Council continue to work actively with current business owners to encourage economic stability.

State Highway 305 (SR305) runs through the east side of Poulsbo providing access to the Bainbridge Island/Seattle ferry, twelve miles to the south. SR305 includes a peak hour high occupancy vehicle (HOV) lane and is the primary roadway for residents to travel during their morning and afternoon commutes to work and school.

Over a decade in the making, the Oslo Bay Apartments project continues construction across 56 acres northwest of the intersection of State Highway 305 and Bond Road (SR307), and will consist of 468 multi-family market rate residential units including 244 one-bedroom, 208 two-bedroom, and 16 three-bedroom units on three levels within the thirteen buildings. The project also includes the construction of private roads, parking lots, pedestrian pathways, utilities, landscaping, and stormwater management systems, and will also develop a public road system from SR305 to Viking Ave NW.

Commercial growth occupies both sides of SR305, serving a growing customer base. Notably, Town & Country Market completed the upgrade of its Poulsbo store, formerly known as Central Market, and features a new fresh prep counter, community kitchen, and market-to-table restaurant. Deemed a destination market, the store boasts local produce, in-store dining, grocery products, extensive wine and beer selections and many quick gourmet meal options. The City also welcomed a new building for Discount Tire on 7th Avenue just off SR305.

In addition to commercial growth, the City continues to expand services to citizens. The Housing Health and Human Services Department operates a Recovery Resource Center on 8th Avenue. The Recovery Resource Center provides services related to addiction recovery, referrals from the Municipal court, and provides resources to individuals seeking recovery related services for family members.

After acquiring Safeway in 2015, Albertsons ended a 30-year occupancy in a shopping complex located on the west side of the highway. The company shifted its focus to serving grocery shoppers at the newer, larger Safeway store on the other side of SR305. Despite nearly a decade of effort and outreach by the Mayor & Council to find tenants to support the local economic plan, the old Albertson's site remains vacant.

Poulsbo is served by the North Kitsap School District. The Lincoln Hill area includes the North Kitsap Senior High School, Poulsbo Middle School, Poulsbo Elementary, and the North Kitsap School District Administrative offices.

College Market Place, in the northwest corner of the City, is the newest and fastest growing area. This is a 215-acre development including commercial buildings, business parks, single and multi-family housing units, as well as a satellite campus of Olympic College. The college continues to enhance their program and partners with Western Washington University offering several 4-year baccalaureate programs. In December of 2023, Olympic College and Virgina Mason Franciscan Health announced a partnership to expand medical education programs and will locate its Nursing and Allied Health Division program at the Poulsbo campus. This program expansion will help fill the growing need for healthcare personnel in Poulsbo and Kitsap County.

Currently, anchor stores within the College Marketplace development include Wal-Mart, Home Depot, and Petco. In the past five years the City has welcomed the addition of Fairfield Inn & Suites, Animal Emergency & Specialty Center, and Firestone Complete Auto Care, with Norland Trails Townhomes & Flats & The Landing At College Marketplace being the two multifamily apartment options in this area of the City. In early 2025, Pickleball Kingdom took over the former OfficeMax & Big 5 Sporting Goods building to open a 31,500 sq ft facility featuring 12 indoor courts along with programs for all ages and skill levels.

The City of Poulsbo continues to promote smart growth with new businesses coming into the area and providing local employment, while still maintaining a "small but sophisticated" atmosphere. Poulsbo is a very fortunate community where leaders have been conservative in spending. Excess funds have been banked in reserves to help stabilize revenues and support one-time specific expenses. Government, citizens, and developers working together can successfully accomplish the goal of keeping Poulsbo the premier place to live, work, and play on the Kitsap Peninsula.

Cash Management

Careful financial control of the City's daily operations is an important part of Poulsbo's overall fiscal management program. Achieving adequate cash management and investment control requires sound financial planning to ensure sufficient revenues are available to meet the current expenditures.

The City continues to operate under their Financial Management Policy, requiring the fund balance be in excess of twelve percent of the operating revenues and cash and investment balances to be in excess of two months of operating expenses. This is consistent with the Government Finance Officers Association's (GFOA) recommended practices. These items are reviewed quarterly with Council Members to assure compliance or bring focus to an area which may not be meeting the minimum levels. All cash and investment balances were compliant with the City's Cash Management Policy in 2025.

Once steps are taken to ensure the City maintains a protected cash position in its daily operations, it is an advantage to the City to prudently invest idle funds. The City contracts with an investment advisor to support managing the City's portfolio and provide recommendations to provide the City with investment recommendations with the following guidelines:

- The City's idle cash will be invested on a continuous basis in accordance with the City's adopted investment policies.
- The City has and will maintain a formal investment policy that is reviewed and endorsed by professional financial organizations.
- The City will invest funds based upon the following order of priority: 1) Safety, 2), Liquidity 3) and Yield, or Return on investment.
- Investments with City funds will not be made for purposes of speculation.
- The City is prohibited from investing in any financial instruments that are not approved for legal investments for municipalities in the State of Washington.
- Proper security measures will be taken to safeguard investments. The City's designated banking institution will provide adequate collateral to insure City funds.

Investment balances continued to grow in 2025 due to revenue growth and an increase in the amount of funds invested. All investments were made in accordance with the City's investment policy, which was re-certified in 2025.

Long-term Financial Planning and Major Initiatives

The City continues to not only look at current financial conditions but improve and incorporate long-range planning. A model with several years of actual data using information to project five years ahead was developed to assist City Staff and elected officials with planning operating and capital budgets. As with all statistical and trending information, it is used with caution, as there can be conditions and impacts which do not follow the trend. The City updates the Capital Improvement Plan to be consistent with the City's long-range comprehensive and functional plans; reviewing priorities and assuring funding for projects set in future years. Due to conservatism and knowledge, the plan is a tool and not an exact science, the City has an adequate reserve balance to support fluctuations from the plan. Budgets have been developed to utilize funds for one-time purchases, providing and maintaining services for the City of Poulsbo citizens, while retaining a fund balance compliant with the Financial Management Policy.

The City completed the first year of its 2025–2026 biennial budget, which anticipated using General Fund reserves in both years. However, revenue projections increased due to the full implementation of the Business & Occupation (B&O) Tax and Traffic Safety Camera program in 2025. These additional revenues reduced the amount of reserves needed in 2025. Grant funding also supported expenditures and continues to lessen the projected use of reserves as new awards are secured. The City will continue to monitor economic conditions for signs of growth or strain and adjust reserve forecasts accordingly.

Awards

The City of Poulsbo has committed itself to financial excellence for many years, receiving the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting as well as the Distinguished Budget Presentation Award. Commitment to the residents of the City of Poulsbo has always been full disclosure of the financial position of the City. The City has received the Distinguished Budget Presentation award for several years, including the 2025-2026 Biennial Budget.

The City of Poulsbo has received the Certificate of Achievement for Excellence in Financial Reporting for the 2024 Annual Comprehensive Financial Report to the Government Finance Officers Association of the United States and Canada.

To be awarded a Certificate of Achievement a governmental unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report that conforms to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the requirements and standards of the Certificate of Achievement Program, and we will be submitting the 2025 Annual Comprehensive Financial Report to the GFOA for review. The Certificate of Achievement is the highest form of recognition in Governmental Financial Reporting, and its award represents a significant accomplishment by a government and its management.

Acknowledgements

The preparation of this Annual Comprehensive Financial Report represents the culmination of months of collaborative teamwork by the entire Finance Department staff. The preparation of this report could not have been accomplished without the professional, efficient, and dedicated staff of the Finance team, and to each member I extend my sincere appreciation.

Further appreciation is also offered to the City's management team, the Mayor, and the City Council for their encouragement, interest, and support in conducting the financial operations of the City in a sound and progressive manner. In addition, I would like to express thanks to the efficient assistance of our local auditor from the Washington State Auditor's Office.

Respectfully submitted,

Deborah L. Booher
Assistant City Administrator/Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

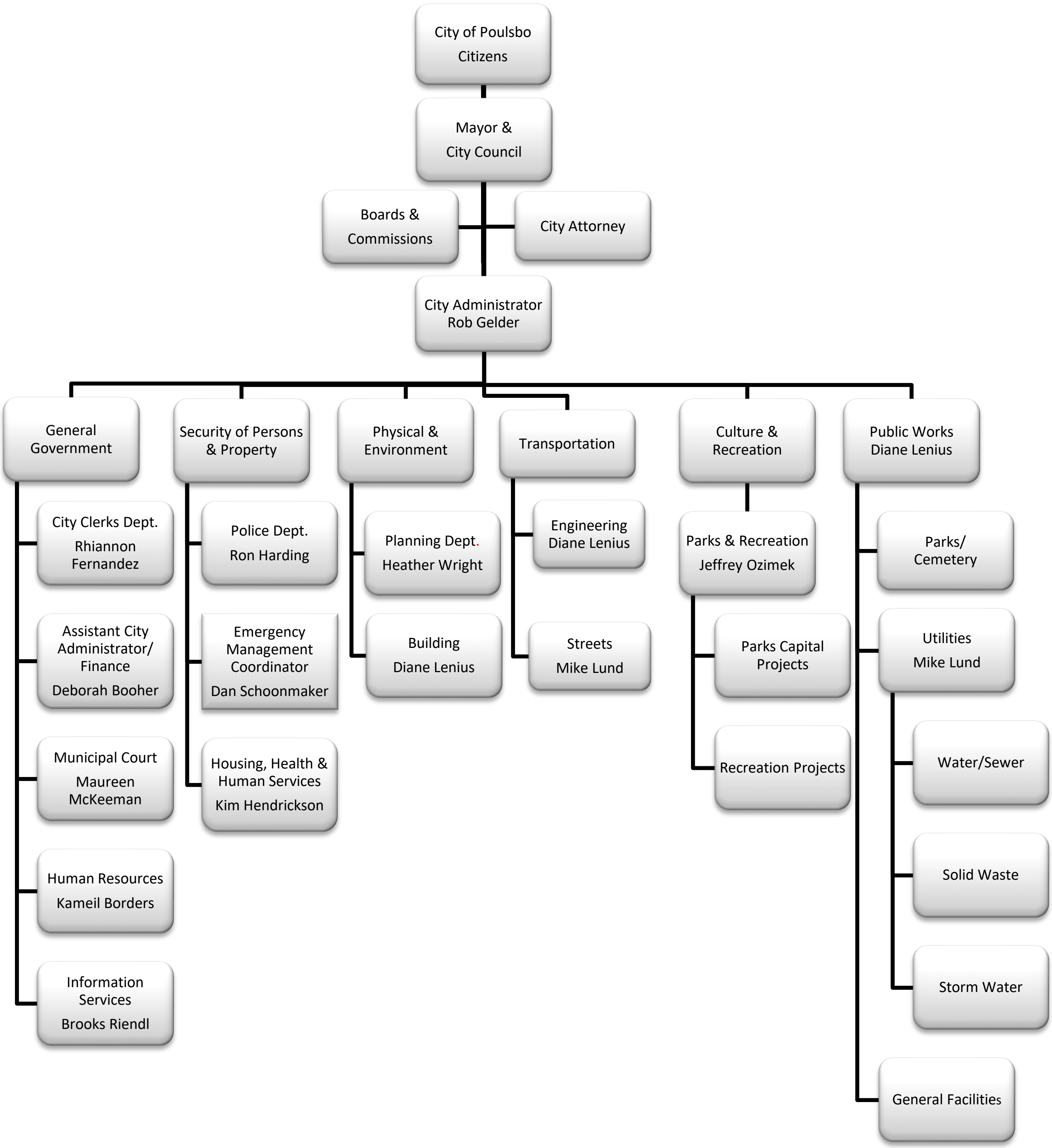
City of Poulsbo
Washington

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

Executive Director/CEO

City of Poulsbo Organizational Chart



City of Poulsbo
List of Elected and Appointed Officials
As of December 31, 2025

Elected Officials

Becky Erickson, Mayor	**December 31, 2025**
Rick Eckert, City Council Member	**December 31, 2027**
Pam Crowe, City Council Member	**December 31, 2027**
Britt Livdahl, City Council Member	**December 31, 2027**
Doug Newell, City Council Member	**December 31, 2027**
Ed Stern, City Council Member	**December 31, 2025**
Doug Taber, City Council Member	**December 31, 2025**
Gary McVey, City Council Member	**December 31, 2025**

Appointed Officials

Police Chief	**Ron Harding**
Assistant City Administrator/Finance Director	**Deborah Booher**
Planning & Economic Development Director	**Heather Wright**
Parks & Recreation Director	**Jeffrey Ozimek**
Public Works, Engineering & Building Director	**Diane Lenius**
Administrative Services Director	**Rhiannon Fernandez**
Municipal Judge	**Maureen McKeeman**
City Attorney	**Emily Romanenko, Ogden Murphy Wallace**
Bond Attorney	**Foster Garvey PC**

Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Mayor and City Council
City of Poulsbo
Poulsbo, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Poulsbo as of and for the year then ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Poulsbo, as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The other information comprises the Introductory and Statistical Sections but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included in the financial statements. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with the audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 29, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

June 29, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) of the City of Poulsbo's financial performance provides a narrative overview of the City's financial statements for the year ended December 31, 2025, focusing on changes from the prior year. We encourage readers to consider the information presented in conjunction with the additional information presented in the letter of transmittal and statistical tables.

The Management's Discussion and Analysis (MD&A) combined with the Transmittal Letter are intended to serve as an introduction to the City of Poulsbo's basic financial statements consisting of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

Supplementary information included is intended to furnish additional supporting the basic financial statements.

These materials are intended to:

- Assist the reader in focusing on significant financial issues
- Provide an overview of the City's financial activity
- Identify changes in the City's financial position
- Identify individual fund issues or concerns

FINANCIAL INFORMATION

The City's government-wide financial statements have been prepared on the full-accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). The City's Fund Financial Statements for governmental funds have been prepared on a modified accrual basis in conformity with GAAP. The City's proprietary funds are accounted for on an accrual basis.

The City of Poulsbo's financial system integrates financial and administrative controls that ensure the safeguarding of assets and the reliability of financial reports. These controls are designed to provide:

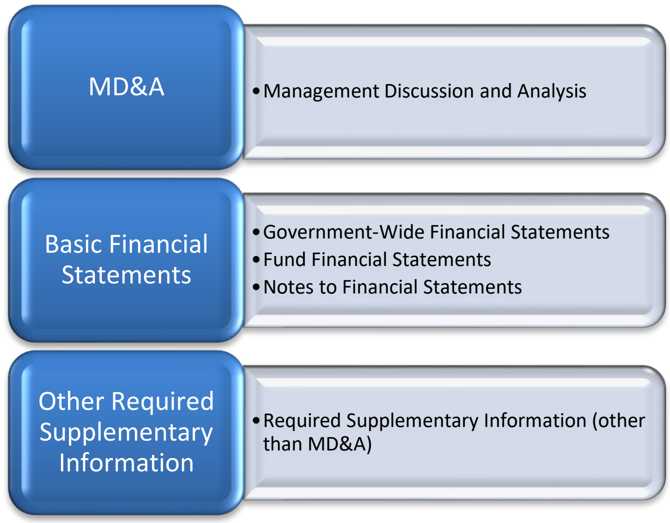
- Reasonable assurance that transactions are executed in accordance with management's understanding and approval
- Reasonable assurance that transactions are executed in accordance with GAAP principles.
- Accountability for control of assets and obligations
- Assurance that sufficient reporting and review exists to provide adequate information for analysis and comparability of data

Internal controls are a high priority for the City. The Washington State Auditor's Office (SAO) reviews the City's internal controls, and the City acts on recommendations made by SAO.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provides an introduction and overview to the City of Poulsbo's basic financial statements. The basic financial statements are comprised of three components:

- Government-wide Financial Statements
- Financial Fund Statements
- Notes to the Financial Statements



This report contains other supplementary information in addition to the basic financial statements, including combining statements for non-major funds, budget to actual comparisons, and statistical tables.

Financial statements focus on both the City as a whole (government-wide) and on major individual funds. Both perspectives allow the user to address relevant questions, broaden a basis for annual comparisons, and enhance the City's accountability. A graphic is provided to illustrate the composition of the reports.

Government-Wide Financial Statements

The government-wide financial statements are intended to provide financial information similar to a private sector business. The statement has separate columns for governmental activities and business–type activities. Governmental activities are primarily supported by taxes, charges for services, and grants. Business-type activities are primarily self-supporting through user fees and charges.

The statements are presented on a full accrual basis of accounting including all assets, deferred outflows, deferred inflows, and liabilities. Revenues are recognized when they are earned and expenses when they are incurred, regardless of when the cash transaction occurred. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

The Statement of Net Position presents information on all the City's assets, liabilities, and deferred inflows/outflows, with the difference reported as net position. The Statement of Net Position serves a purpose similar to that of the Balance Sheet of a private-sector business. Over time, increases or decreases in net position may serve as a useful indicator of improvement or deterioration in the City's overall financial health.

The Statement of Activities presents information showing how the government's revenues and expenses impacted the net position of the City of Poulsbo. The statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The revenue generated by specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions to show the degree to which each function supports itself or relies on taxes and other general funding sources. This is intended to summarize and simplify the user's analysis of cost to various governmental services and/or subsidy to various business-type activities. By separating program revenue from general revenue, users of the financial statements can identify the extent to which each program relies on taxes for funding.

The Statement of Net Position and the Statement of Activities are divided into two categories:

- *Governmental Activities* - Most of the City's basic services are reported here, including police, facilities, parks, planning, engineering, and general administration. Taxes (property, sales, and utility) and intergovernmental revenues finance most of these activities.
- *Business-Type Activities* - The City charges fees to customers to help cover most or all the costs of certain services provided. The City charges fees to recoup the cost of the operations of water, sewer, storm drain, and solid waste utilities as well as all capital and debt expenses associated with the individual utility.

Fund Financial Statements

The annual financial report includes fund financial statements in addition to the government-wide financial statements. While the government-wide statements present the City finances based on the type of activity, the fund financial statements are presented by fund type. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions, or limitations. All of the funds of the City of Poulsbo can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds: Governmental Funds are used to account for essentially the same functions as governmental activities in the Government-wide Financial Statements. These reports use a different "basis of accounting" than is used in the government-wide financial statements. The focus of governmental fund financial statements is on near-term inflows and outflows of available resources and on balances of resources available at the end of the fiscal year. Such information is useful in evaluating near-term financing requirements and immediate fiscal health.

Because the focus of governmental funds is narrower than that of the governmental-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This provides the reader with a better understanding of the long-term impact of the government's near-term financial decisions. To assist with the comparison, reconciliations between the governmental fund statements and the government-wide financial statements are included with the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances.

The City of Poulsbo maintains twenty governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Street Reserve Fund and Facilities Fund which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

A Major Fund has three elements:

- Total assets plus deferred outflows, liabilities plus deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least ten percent (10%) of the corresponding total (assets, liabilities, etc.) for all funds of that category or type (i.e., governmental, proprietary, or fiduciary); and
- Total assets plus deferred outflows, liabilities plus deferred inflows, revenues, or expenditures/expenses of the individual government fund or enterprise funds are at least five percent (5%) of the corresponding total for all governmental and enterprise funds combined; or

- Any other governmental or enterprise fund the government's officials believe is particularly important

Proprietary Funds: The City's Proprietary funds are the *enterprise funds which* provide services to customers. The City maintains four enterprise funds to account for its water, sewer, solid waste, and storm drain activities. The services and necessary capital expenditures are supported by rate payers. Proprietary funds use the same basis of accounting as business-type activities.

Fiduciary Funds: Fiduciary Funds are used to account for resources held for the benefit of parties outside the City where the City acts as a trustee or custodian. All the City's fiduciary activities are reported in separate Statements, the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position consist of Custodial Funds only. These activities are excluded from the City's government-wide financial statements because the assets cannot be used to finance the City's operations.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided and are an integral part of the government-wide and fund financial statements. The City of Poulsbo uses notes to present information in greater detail, explain the nature and how those amounts were determined and report certain information that does not meet the requirements for inclusion in the financial statements.

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this report also contains budgetary comparison and certain required supplementary information concerning the City of Poulsbo's progress in funding its obligation to provide pension benefits, and lifetime medical benefits to uniformed personnel hired before October 1, 1977. The required supplementary information may be found immediately following the notes to the financial statements.

FINANCIAL SUMMARY AND DETAILED ANALYSIS

The Statement of Net Position looks at the City as a whole and can serve over time as a useful indicator of the City's financial position. Table 1 provides a summary comparing the City's net position for 2024 and 2025. For the City of Poulsbo, assets and deferred outflows of resources exceeded liabilities and deferred outflows of resources by $250.4 million, a $17.3 million or 7.44% increase over the last year. The increase can be attributed to several factors:

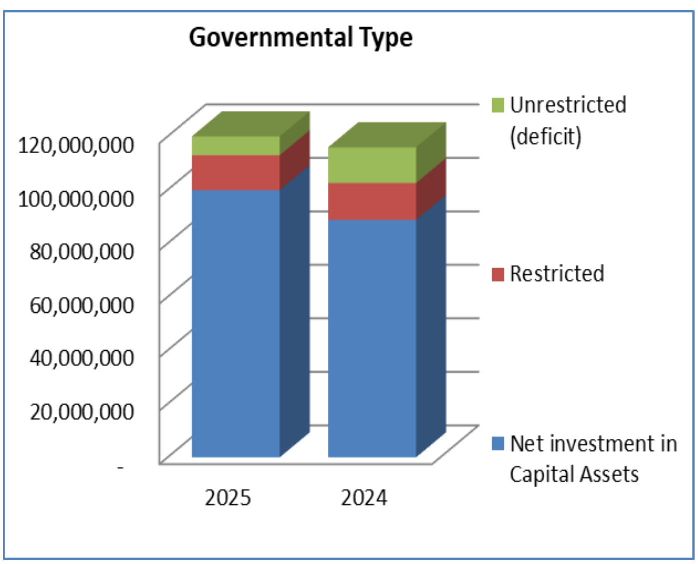
- Current assets over 2024 have decreased: however, receivables and reserves for future capital have increased
- Increase in capital projects completed by the City
- Decrease in long-term debt due to principal payments

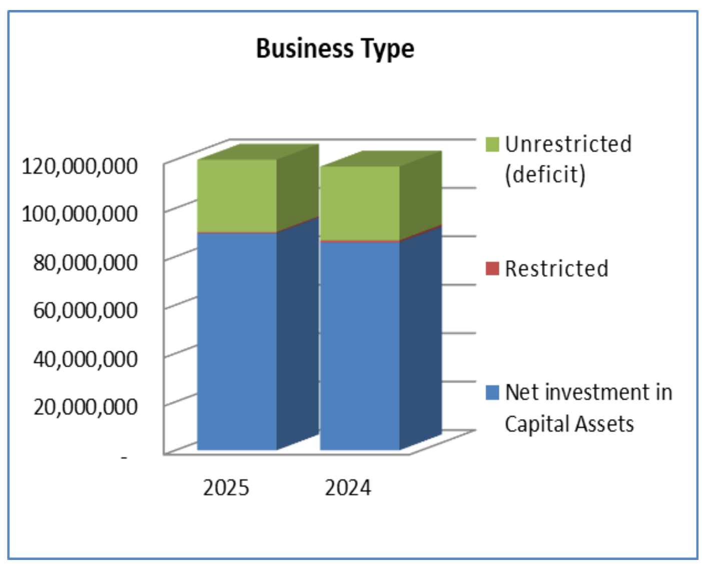
City of Poulsbo's Condensed Statement of Net Position
Table 1

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	2025	2024	2025	2024	2025	2024
Current and Other Assets	$ 26,371,743	$ 27,476,926	$ 35,246,163	$ 34,547,870	$ 61,617,907	$ 62,024,796
Capital Assets Net	106,829,652	97,549,502	97,080,317	93,486,958	203,909,970	191,036,460
Net Pension Asset	2,563,646	2,264,767	456,848	413,010	3,020,494	2,677,776
TOTAL ASSETS	135,765,041	127,291,195	132,783,329	128,447,838	268,548,371	255,739,032
Deferred Outflows of Resources	3,672,635	3,418,602	601,524	592,809	4,274,159	4,011,411
Long-term Debt	6,525,333	7,389,263	6,894,285	7,444,800	13,419,618	14,834,063
Pension Liability	1,315,223	1,527,428	109,041	171,908	1,424,264	1,699,336
Other Liabilities	3,639,987	4,759,768	1,760,185	3,034,794	5,400,172	7,794,561
TOTAL LIABILITIES	11,480,543	13,676,458	8,763,510	10,651,502	20,244,053	24,327,960
Deferred Inflows of Resources	1,019,201	1,112,886	1,124,247	1,217,188	2,143,448	2,330,074
NET POSITION						
Net investment in Capital Assets	99,911,041	88,775,960	89,663,231	85,885,590	189,574,272	174,661,550
Restricted	13,046,029	13,781,816	456,848	817,848	13,502,877	14,599,664
Unrestricted (deficit)	13,980,863	13,362,676	33,377,017	30,468,520	47,357,879	43,831,196
TOTAL NET POSITION	126,937,933	115,920,452	123,497,095	117,171,957	250,435,028	233,092,410

The largest portion of the City of Poulsbo's net position is its investment in capital assets, $189.6 million, net of accumulated depreciation/amortization and less any related outstanding debt that was used to acquire those assets. The City of Poulsbo uses these capital assets to provide a variety of services to its citizens making them unavailable for future spending. It should be noted resources are required to repay this debt and must be provided for by other resources.

The City's total restricted net position amounts to 5.4%. This represents resources which are subject to external restrictions on how they may be used. Much of the amount can be attributed to restrictions for debt purposes, Real Estate Excise Taxes (REET) restricted for capital per the Revised Code of Washington (RCW), Impact Fees restricted for future development, sales tax collected for affordable housing and behavioral health.





Governmental Activities

- Net position of governmental activities increased $11 million, or 9.5%, during 2025. The variations are spread over several areas and can be attributed to many factors:
- Increase in Current Assets resulting from increases in the amount of taxes collected, grant proceeds, settlements related to opioid mitigation collection of a new Business and Occupation tax (B&O) implemented July 2024, sales tax collected for affordable housing and the transportation benefit district, and citations issued from three traffic safety cameras fully implemented by the end of 2025.
- City governmental fund tax revenue has increased $1.75 million over 2024 or 11.15% over the prior year. Retail Sales and use tax collected is the largest revenue source for Poulsbo. Sales Tax in governmental funds increased less than 1%.
- Utility taxes increased in 2025 in the amount of $257.4 thousand. Utility tax rates remained consistent with 2024 rates. The increase is due to the growing number of customers and rate increases imposed by the provider.
- The Business & Occupation (B&O) tax for the City of Poulsbo was imposed mid-2024. The first full year of revenue collected in 2025 was $1.76 million, which exceeded its original budget estimate of $1.2 million. The increase in actual collection over budget revenues was due to increased business activity.
- The book value of capital assets has increased $12.9 million over 2024. Total capital assets from governmental activities increased $9.3 million or 9.3%. The increase in governmental capital assets can be attributed to the completion of park construction projects, purchasing minimal rights-of-way for the next phase on Noll Road, capital improvements to our Parks & Recreation building and a large land purchase for the Poulsbo Events and Recreation Center.
- Net investment in capital assets increased $11.1 million in governmental activities.
    - New vehicles and equipment for the Police and Streets functions
    - The increase in the assets for governmental activities is a result of capital improvements to large transportation projects including, Noll Road North and Middle segments, and ADA Curb Ramps, and these include infrastructure improvements to both governmental and utility functions.
    - Nordic Cottages, an affordable multi-family housing structure planned for lower income senior population, was completed and placed into service in 2025.
    - Two new housing and developers turned the infrastructure over to the City at the completion of the developments increasing the City’s capital.
- The City’s Pension asset and liability is calculated and updated per GASB 68 standards and provided by the Washington State Department of Retirement Systems (DRS) resulting in variances to deferred inflows, outflows and pension liabilities. The proportionate share is adjusted annually and provided by DRS.
- Liabilities decreased by $2.2 million. This decrease is comprised of lower accrued liabilities, lease payments, pension and OPEB reductions. The largest part of the decrease is due to principal payments made on existing debt.

Business-Type Activities

- Net position of business-type activities increased $6.3 million, or 5.4%, during 2025
- Capital assets of business-type activities increased $3.13 million or 3.36%
    - A large portion of the increase is due to the City's share of capital improvements at the County Treatment Plant necessary to maintain support of flow related to Poulsbo. The County manages the improvements and then bills the City their proportionate share
    - Safety improvements to sewer pump stations
    - There were several housing and commercial developers who turned the infrastructure over to the City at the completion of the developments increasing the City's capital. The Enterprise funds received about $751.4 thousand of contributed capital in 2025.
- Liabilities decreased by $1.9 million. This decrease is comprised of lower accrued liabilities, lease payments, pension and OPEB reductions. The largest part of the decrease is due to principal payments made on existing debt.
- The financial statements represent fund balances as required by GASB. Balance Sheets display fund balances in the following manner:
    - Unassigned – Residual net resources without any other fund balance limitations. The only fund which has an unassigned fund balance is the General Fund unless a deficit occurs in any other fund.
    - Assigned – Amounts assigned for specific purposes to reflect a government's intended use of resources.
    - Committed – Self-imposed limitations at the highest level of decision makers that require formal action at the same level. The City of Poulsbo does not have any committed fund balances at this time.
    - Restricted – Fund balances which have externally enforceable limitations on use by grantors, creditors, or legal restrictions.
    - Nonspendable – This is comprised of assets, which will never convert to cash such as inventory or portion of proceeds which cannot be expended because they must be intact such as imprest funds

Table 2 illustrates changes in net position for the years 2025 and 2024. This is a condensed version of the Statement of Activities for the City. The revenues for 2025 reflect an increase in all taxes collected, charges for services, fines from traffic safety cameras, and investment earnings. Capital Grants/Contributions reflect large increases due to grants for the Noll Road transportation project and contributed capital from developers. Other contributing factors are development of road and park projects, utility connection fees, and infrastructure given to the City from development projects being higher in 2025. Additional tax revenue, charges for services for park and recreation fees, and development fees contributed to the increase.

City of Poulsbo's Changes in Net Position

Table 2

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	2025	2024	2025	2024	2025	2024
Revenues						
Program Revenues						
Charges for Services	$ 3,469,516	$ 2,645,752	$ 15,566,500	$ 14,558,888	$ 19,036,016	$ 17,204,640
Operating Grants/Contributions	1,512,154	1,468,178	35,303	88,703	1,547,457	1,556,881
Capital Grants / Contributions	8,519,207	6,356,255	4,842,462	6,924,318	13,361,670	13,280,573
General Revenues						
Property Taxes	3,233,366	3,039,074	-	-	3,233,366	3,039,074
Retail Sales & Use Tax	7,803,778	7,798,515	-	-	7,803,778	7,798,515
Business Taxes	6,305,999	4,929,761	-	-	6,305,999	4,929,761
Investment Earnings	1,350,802	1,190,597	1,029,507	912,916	2,380,309	2,103,514
Other	30	7,048	-	-	30	7,048
Total Revenues	32,194,853	27,435,179	21,473,772	22,484,826	53,668,625	49,920,005
Program Expenses						
General government	4,670,047	4,011,763	-	-	4,670,047	4,011,763
Judicial	642,938	521,070	-	-	642,938	521,070
Security of Per & Prop	5,538,729	4,893,692	-	-	5,538,729	4,893,692
Utilities & Environment	38,306	505	-	-	38,306	505
Transportation	4,678,177	4,025,991	-	-	4,678,177	4,025,991
Economic Environment	1,728,839	1,595,327	-	-	1,728,839	1,595,327
Mental & Physical Health	1,103,323	1,003,410	-	-	1,103,323	1,003,410
Culture & Recreation	2,249,729	2,133,361	-	-	2,249,729	2,133,361
Interest Long-Term Debt	215,666	240,493	-	-	215,666	240,493
Water	-	-	3,146,656	2,957,230	3,146,656	2,957,230
Sewer	-	-	5,388,239	5,291,280	5,388,239	5,291,280
Solid Waste	-	-	4,182,502	3,768,635	4,182,502	3,768,635
Storm Drain	-	-	2,431,237	2,403,987	2,431,237	2,403,987
Total expenses	20,865,755	18,425,612	15,148,634	14,421,133	36,014,389	32,846,744
Increase (decrease) in net	11,329,098	9,009,568	6,325,138	8,063,693	17,654,236	17,073,260
Changes in Net Position	11,329,098	9,009,568	6,325,138	8,063,693	17,654,236	17,073,260
Beginning Net Position	115,920,452	106,970,839	117,171,957	109,125,625	233,092,410	216,096,464
Change in Accounting Principle	-	(59,955)	-	(17,360)	-	(77,315)
Unusual or infrequent item - Loss due to capital project deemed non-buildable	(311,618)	-	-	-	(311,618)	-
Net Position - Beginning Restated	115,608,835	106,910,885	117,171,957	109,108,264	232,780,792	216,019,149
Ending Net Position	$ 126,937,933	$ 115,920,452	$ 123,497,095	$ 117,171,957	$ 250,435,028	$ 233,092,410

Governmental Activities

The revenues for 2025 show a significant increase.

Capital Grants/Contributions attributed to several parks and transportation projects in 2024 that continued into 2025. The largest grant is for the Noll Road transportation improvement project. Another large addition to this category is contributed capital from developers. When a project is completed it is standard practice for the contractor to turn over the infrastructure to the City. The City records this as contributed capital with no funds expended. The City then records this as an asset and assumes ownership and future maintenance.

Business taxes are reflecting an increase which is due to the City collecting a full year of the B&O tax implemented mid-2024 generating $1.76 million in revenue.

Expenses increased by $2.4 million due to the use of reserves for capital projects. Other increases in expenditures were due to Salaries and benefits, Jail services with Kitsap County, insurance, and legal expenses.

General Government expenditures increase $660 thousand inclusive of salaries and benefits for the first City Administrator, a B&O Tax Accounting Clerk, and Court Judicial Specialist.

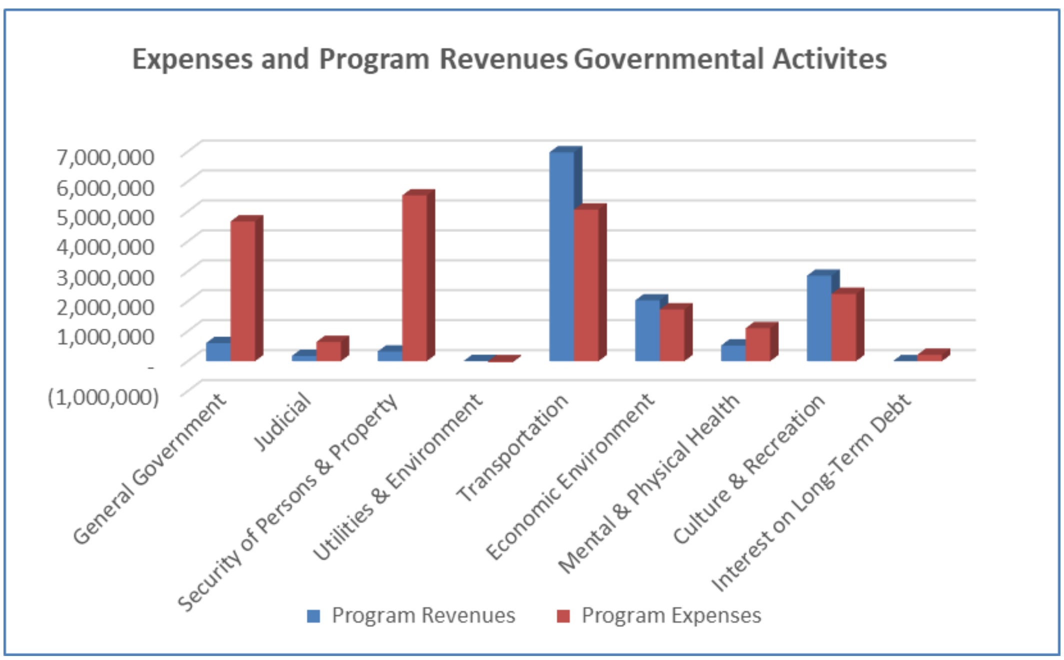
Security of Persons and Property saw an increase as staffing was increased in the Police Department to support the growing population and business community. In 2025, the City fully implemented all traffic safety cameras covered by the lease that began in 2024.

The transportation program reflects an increase, which is due to large street maintenance projects, which are not considered capital as paving updates are necessary for the asset to reach its intended life.

The Recreation programs have expanded due to increased staff to develop new programs and activities.

The increase in capital assets in 2025 is in both governmental and business-type activities.

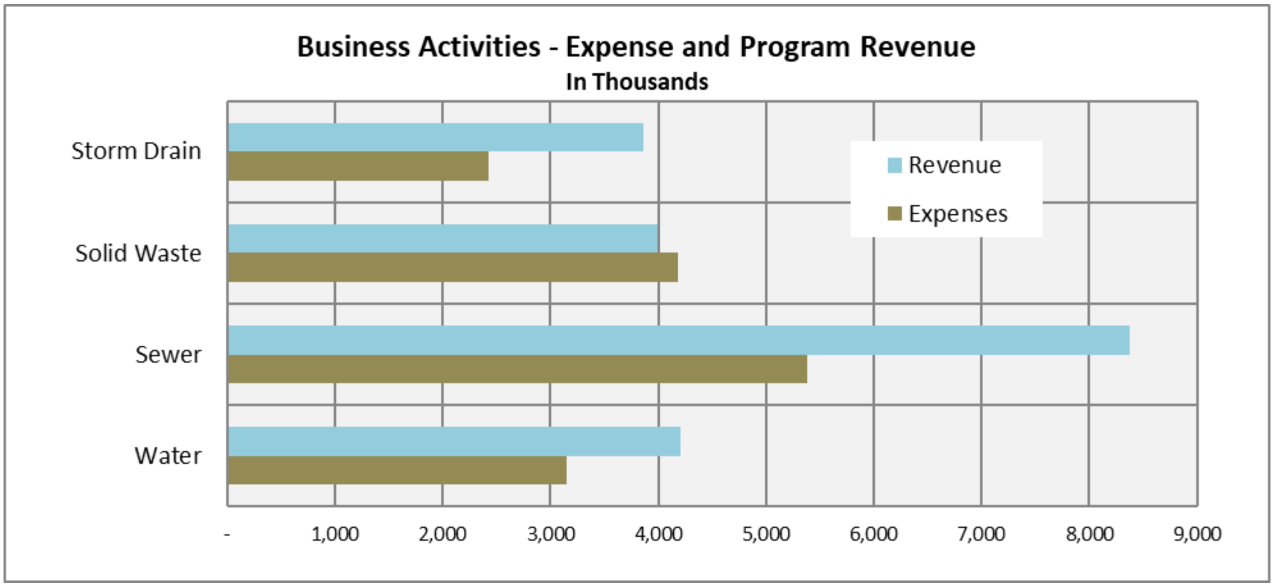
One unusual or infrequent item was incurred by the City in 2025. A loss of $(311,618) was recorded to recognize the Liberty Bay Trail capital project was not feasible after design services were performed.



Business-type Activities

The bottom line revenues for 2025 reflect a decrease of 1.1 million due to a reduction in capital grants and contributions that include lower connection fees.

Expenses in 2025 increased $727.5 thousand over 2024 with most of the increase occurring in the Sewer and Solid Waste funds. Increases for Solid Waste are attributed to increased hauling costs with the Waste Management Transfer Center, fuel and equipment maintenance costs. The growth in sewer expenditures was due to the City increasing their share of the county sewer plant and paying operating expenses based on the higher percentage. It was necessary to increase the City's share of flow capacity to serve the anticipated future growth.



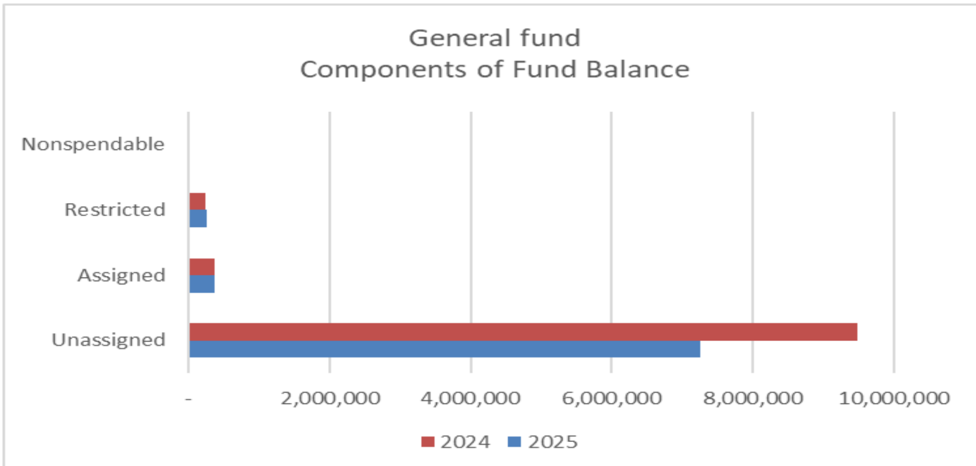
Detailed Analysis of Governmental Funds

The City of Poulsbo used fund accounting to ensure and demonstrate compliance with finance -related legal requirements. The City of Poulsbo reports three major funds individually in the governmental fund financial statements, the General Fund and the Street Reserve Fund which is a Capital Projects Fund.

The City, in accordance with GASB 34, performed the major fund calculation and determined the General Fund, Street Reserve, and Capital Facilities to be major funds. These funds are accounted for using the modified accrual basis of accounting. As reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, governmental funds have total revenues of $31.8 million and expenditures of $32.6 million.

- **General Fund:** General Fund accounts for the main operating revenues and expenditures of the City's governmental functions. Revenues and expenditures related to Administrative Services, Executive, Legislative, Finance, Police, Engineering, Planning, and Park Maintenance are some of the primary functions of the government accounted for in the General Fund. Most tax revenues are receipted in the General Fund supporting governmental functions of the City.

  The Fund Balance for the General Fund has decreased 21.7%. Key General Fund revenues such as property taxes, B&O, Utility Taxes, and Service Charges have increased over the prior year. Investment earnings have also remained strong, contributing an additional $971 thousand in General Fund revenue. However, the decrease is attributed to transfers to capital funds for equipment purchases and capital projects. In 2025, $6.1 million was transferred to capital project funds in contrast to $2.35 million in 2024. Other increases in expenditures reflect increasing salaries, overtime, benefits, and service contracts. The General Fund reserves remain within the City's Financial Management Policy.



Restricted Fund Balance in the General Fund is made up of

- Public Education Government (PEG) fees with resources restricted by the City's cable franchise agreement
- Substance abuse funds restricted by state law
- Federal Funds to be expended over the next several years
- Opioid settlement funds restricted per the legal requirements included in the settlement agreements
- Capital Projects
- Promoting Downtown Business & Tourism

Assigned Fund Balance consists of legal reserves and future leave cashouts as assigned by the City Council.

The City maintains the bulk of general reserves in Unassigned Fund Balance but requires a super majority of the City Council to approve allocation from the fund balance.

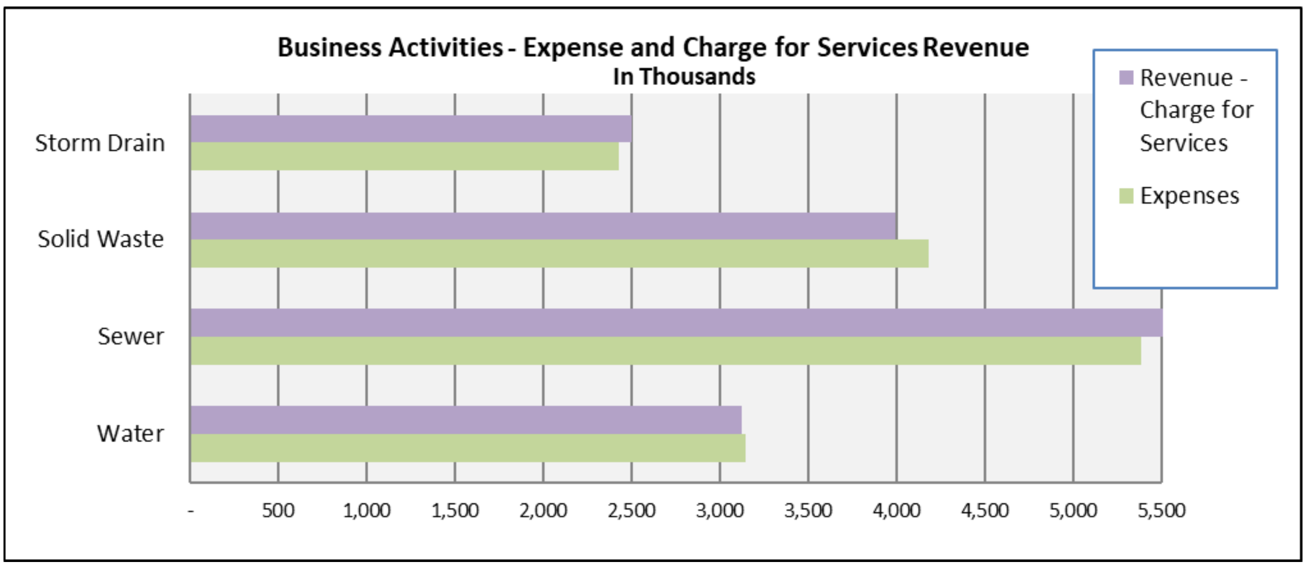
City Street Reserve Fund: The fund records revenue and expenditures for the capital transportation program. There were several transportation projects in transition either with construction or design. Many of the projects are funded by grants, REET, or traffic impact fees. A major transportation project on Noll Road being constructed in phases became substantially complete in 2023, a second phase was completed in 2024. The next phases began construction in 2025. The project continues to be largely funded by grants and matched with City Impact fees, Real Estate Excise Tax (REET) funds and debt proceeds. ADA curb ramp improvements to provide safer access to the City sidewalks, which were completed in 2025. The ADA curb ramp improvements were funded from grants.

Facilities Capital Fund: The fund records revenue and expenditures for the capital facilities projects. In 2025, the Nordic Cottages, an affordable housing project for senior citizens was placed into service. The total Project was funded through grants, City funds, and intended debt proceeds. The Poulsbo Events and Recreation Center (PERC) is in the beginning stages of work. Bid proposals have been collected and a contract will be awarded in early 2026. Design costs were incurred in 2025 prior to construction bid award. The PERC's total estimated cost is $15.6 million and will be paid for with debt proceeds shared by the City of Poulsbo and the Kitsap Public Facilities District through an inter-local agreement.

Detailed Analysis of Enterprise Funds

The City's utilities are accounted for in four enterprise funds: 1) water utility fund; 2) sewer utility fund; 3) solid waste utility fund; and 4) storm drain utility fund. The funds are reported on a full-accrual basis, accounting for all assets and liabilities. Revenue is primarily derived from charges for services by rate payers. Also increasing the fund balance are assets recorded from the revenue for capital contributed from developers consisting of infrastructure installed by developers but then turned over to the City to provide utility services. Rates are developed to support ongoing operation as well as build reserves to support future capital needs. Fund balances remained consistent with the prior year, with a slight increase, due to several factors:

All utility funds saw increases in charges for services, which is consistent with annual increases planned by the Consumer Price Index (CPI) and the growing number of customers from new housing developments. The Water Utility assessed an additional 6% rate increase to support the cost of services and future planned capital projects. Expenses reflect the anticipated regular increases due to cost-of-living increases in goods and labor. Sewer expenses reflect a substantial increase due to the purchase of additional capacity for flow from the county, increasing the costs due to the County for the City's share of sewage processing.



Significant Capital Asset and Long-term Financing Activity

The City increased its capital threshold to $10,000 in 2024. Equipment for governmental services is funded from reserves built in the Capital Acquisition Fund. Fund resources consist of transfers from the General Fund to the Capital Acquisition Fund. The transfer amounts are established by the City Council through the budget process. Capital purchases are prioritized and items exceeding funding levels were delayed unless reserves were allocated to purchase necessary capital items.

Annually, the City updates the City Improvement Plan (CIP) to prioritize and establish funding sources for capital outlay costs. In 2024, the City increased the parameters for projects to be included in the CIP, the projects should have a cost of more than $50,000 and a life expectancy of more than 15 years. Projects may be re-scheduled due to revenue availability. The City is diligent in securing applicable grants to fund capital projects to preserve the use of reserves when possible.

The City of Poulsbo's investment in capital assets for its governmental and business type activities as of December 31, 2025, amounts to $204 million (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, parks, roads, highways, bridges, the right to use other entities' assets (intangibles), and the County's sewage treatment plant. The total increase in capital assets for the current fiscal year was $12.9 million or 6.74%.

City of Poulsbo's Capital Assets at Year End, Net of Depreciation/Amortization

Table 3

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2025	2024	2025	2024	2025	2024
Land/Intangibles	$ 38,823,621	$ 37,920,297	$ 7,008,309	$ 7,008,309	$ 45,831,930	$ 44,928,606
Buildings	13,031,263	10,740,637	2,936,548	3,029,282	15,967,812	13,769,920
Other Improvements	4,082,376	3,226,314	869,765	878,926	4,952,140	4,105,240
Infrastructure	38,468,980	38,574,336	55,999,214	55,858,227	94,468,193	94,432,564
Intangibles (Depreciable)	32,207	44,871	25,312,914	20,129,018	25,345,122	20,173,890
Intangibles Right to Use	891,607	668,701	11,195	17,720	902,803	686,421
Machinery & Equipment	2,323,837	1,719,378	3,315,337	3,499,799	5,639,174	5,219,177
Work in Progress	9,175,761	4,654,967	1,627,036	3,065,677	10,802,796	7,720,644
Totals	$ 106,829,653	$ 97,549,502	$ 97,080,317	$ 93,486,958	$ 203,909,970	$ 191,036,460

Capital assets in 2025 increased for both governmental and business-type type activities. Major capital assets events during the current fiscal year include the following:

Governmental

- There were various transportation and park projects with improvements or development of design for future construction.
- The Noll Road Project is the largest transportation project the City has ever undertaken. The largest phase was completed in 2024. The next phases of construction began in 2025 and are expected to be completed in 2026.
- An Asphalt Hot Box was purchased for the Capital Neighborhood Street Fund.
- ADA improvements to existing sidewalks were completed in 2025.
- RAAB Park increased the playground equipment with accessible equipment.
- Rotary Morrow Park is a new park developed with walking paths and a covered seating area for visitors.
- Design of a new Poulsbo event and recreation center began in 2024. Plans and specifications are being drafted for a 2025 bid opening and contract award with construction to begin in 2026. The project plans to construct two ball fields, a walking path, small building for restrooms, and a snack bar on the land contributed to the City in lieu of park impact fees. The project is funded by grants from Kitsap County's Public Facilities District and a future anticipated debt by the City.
- Nordic Cottages, an affordable housing community, began construction in 2024. Nordic Cottages consists of eight units for senior and disabled citizens providing federally subsidized rent. The project is funded by grants, affordable housing tax dollars and a future debt issue. The Nordic Cottages were placed into service in 2025.
- A new lease for speed control cameras was implemented in 2025 in the amount of $155 thousand per year. All three traffic safety cameras are now in service as of December 31, 2025.
- Subscriptions were renewed for financial software in 2025.
- Two new Police Department patrol vehicles were purchased in 2025.

Business Type

- Vehicles for the Water and Sewer Funds were purchased in late 2025
- Several pump stations in the sewer system were updated for safety.
- A large contribution was made to the County for a force main improvement and emergency repairs to a pump station necessary to serve the needs of the City's sewer operations.
- Another benefactor to capital assets was capital contributed from new commercial and residential developments for utility infrastructure and parks within new housing developments. There are many Capital projects planned in 2026, funded with a combination of grants, traffic mitigation fees, debt proceeds and strategized use of reserve funds. Additional information on the City's capital assets is provided in Note 5 of the Notes to the Financial Section.

Both governmental and business type activities record intangible assets, right to use assets consisting of operating leases for capital equipment and subscription based (SBITA) agreements. The City of Poulsbo does not own these assets, but rather the right to use them in operations as specified in their contracts. When entering into lease or SBITA contracts, liabilities are also recognized, which is included as part of the long-term financing discussion below.

DEBT ADMINISTRATION

The City participates in various forms of debt. At the end of the current fiscal year, the City of Poulsbo had total long-term financing liabilities of $13.4 million, composed of general obligation bonds, revenue bonds, lease liabilities and subscription-based information technology liabilities. During the current year, increases in long term liabilities were attributed to new leases and subscription based technology agreements totaling $495 thousand.

	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
General obligation bonds	5,693,485	6,673,243	1,709,938	1,809,988	7,403,423	8,483,231
Revenue bonds	-		5,070,000	5,360,000	5,070,000	5,360,000
Right-to-use Leases	697,586	360,310			697,586	360,310
Right-to-use Subscriptions	189,446	290,499	11,162	17,021	200,609	307,520
Total	6,580,516	7,324,052	6,791,101	7,187,009	13,371,617	14,511,061

The $7.4 million general obligation bonds are bonded debt, backed by the full faith and credit of the government. There were no debt issues in 2025, but principal payments reduced the obligation in 2025.

As discussed in the changes in capital assets, the City of Poulsbo entered into new lease agreements for capital equipment and subscription based liabilities. These will be repaid over the term of their contracts.

Revenue bonds are for the sewer fund and are payable from revenues derived from the operation of the Sewer Fund. The decrease is due to principal payments made in 2025.

The City's debt obligations are well within the statutory limits for debt capacity. There are three types of statutory limits on general obligation debt capacity:

1. The first limit is on the amount of general obligation debt that can be incurred without a vote of the people. For this type of debt, a city is limited to 1.5% of its assessed value ($3,228,720,897), or $48,430,813 less any debt issued, leaving an available balance of $41,027,390
2. The second statutory limit is the amount of general obligation debt a city may incur for general governmental purposes with a vote of the people. This limit is 2.5% of the assessed value

($3,228,720,897). For 2025, the City's limit is $80,718,022 less any amount issued as non-voted debt (from the 1.5% limit above). At this time, the City does not have any voted debt

3. The third limit is also calculated as a percentage of assessed value. This statutory limit allows a City to incur general obligation debt of up to an additional 2.5% of its assessed value for bond issues approved by the voters for the purpose of utility improvements and an additional 2.5% for parks or open space development

The City of Poulsbo maintains an AA rating on the General Obligation Bond issued in 2015 and an AA+ rating on the Revenue Bond issued in 2018.

The following chart shows the general obligation debt limits for 2026:

	2026 Assessed Valuation			$ 3,228,720,897		
0.025	=	$	80,718,022	Limited for Combined Debt	Balance Available	$ 73,314,599
0.015	=	$	48,430,813	Limited for Non-Voted Debt	Balance Available	$ 41,027,390

Additional information on the City's debt is provided in Note 10, "Long-Term Debt" and may be found within the Notes to the Financial Statements section.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The City of Poulsbo is aware of the following items that will impact future finances and were considered in developing the 2025-2026 biennial budget.

- Economic developments
  - The State of Washington does not have a state personal income tax and therefore operates primarily using property, sales, business and occupation, utility, and gas taxes. The City relies on sales, property, and utility taxes and a limited array of other permitted taxes, fees, and state and federal grants to support governmental activities.
  - Sales tax collection grew at an average of 6.35% for the years 2020-2025, and 8% over 2024. Consumer spending and increased costs for everyday goods have contributed to higher sales tax collections. The City remains conservative with revenue projections and has moved forward with a modest increase in 2026 of $100 thousand over the 2025 projection.
  - In 2025 the Washington State Legislature added new items and services subject to retail sales tax.
  - The City of Poulsbo developed the budget with a minimal increase in assessed value and new construction and a legal increase of 1% above the highest allowable levy as restricted by state laws
  - Interest earnings have been conservatively estimated due to projected rate decreases; however, the City actively manages its portfolio with an investment advisor to prioritize security and liquidity. The portfolio includes investments with guaranteed interest rates over a three-year period, helping stabilize earnings. The chart below shows the history of the City's investment balance, which continues to grow in line with expanding resources.

  - The City allowed the sale of cannabis within the City limits and revenue projections have slightly increased due to the anticipated new revenue stream.

  - The City has installed three traffic safety cameras. The revenue earned will be used to support additional court needs to administer the workload, existing Police Department operations, and the changing needs of a growing city.

  - Development continues to be strong in the City generating development revenue and sales tax on construction. Although the economic outlook is indicating a slowdown, the City has several projects moving forward allowing for certainty in the projections. There are several housing developments under construction for single and multi-family housing. An addition to the local college is under construction to expand healthcare education and add more classroom space.

  - The City continues to work with a local lobbyist to promote capital funding in the form of grants and pushing for local revenues to be directed to the City as well as addressing tax limitations and more allowances at the local level, addressing the immediate need supporting the community and their direct needs.

  - Grants for housing and behavioral health programs continue to be a direction the City prioritizes. New revenue secured will enhance the growing programs the City implements and budgets may be amended when additional/new funds are secured.

  - Due to actual revenues exceeding projections and expenses being lower than anticipated, the City has grown a healthy fund balance exceeding the policy. The Council has strategically used reserves to fund ongoing expenses with a plan for these expenses to be supported by growing future new revenue sources adopted in 2024.

- Healthcare and postemployment benefits

  - The funding of pension and other post-employment benefit plans will continue to restrict the City of Poulsbo's ability to spend in other areas. The City of Poulsbo employees are members of the Washington State Department of Retirement System. The system is responsible for projecting and establishing rates to maintain fully funded plans required by state law. Many of the rate structures are dependent on investment earnings and with the possibility of reduced interest rates there may be a future impact on the retirement contribution rates owed by the City. The City utilizes the Office of Financial Management future rate projections as an indicator of rate changes and amends as necessary.

- New revenues

  - The City of Poulsbo implemented new revenues over the past couple years allowing these funds to support the declining state funding for transportation, affordable housing and law enforcement expenses.

    - A new B&O tax in mid-2024 to support governmental operations and allow the City to hire its first City Administrator to oversee the daily operations of the City, with plans for a future Mayor to work part-time and focus on political and other county collaborations.

    - New revenue from traffic safety cameras will be used to increase the law enforcement services the City provides which promotes safer driving.

- New fees for cost recovery of special events were implemented in 2025, decreasing the impact on City resources and passing them on to the event coordinators. Some of these costs can be offset to the organizers if they are able to receive lodging tax grants administered from Hotel/Motel tax collected by the City. Due to two new hotels which opened in 2023, Lodging Tax funds have been increasing.

- The City began collecting an additional .1% sales tax to be used for transportation improvements. The funds have been growing and will be used for neighborhood street projects that are not eligible for grant funding.

- All utility plans are being updated and reviewed with rate increases to cover operations and future capital needs to operating the systems. In 2025 the City began the process to contract the Solid Waste service to an outside provider. With increasing costs and environmental regulations, a contractor may be able to spread these costs to a larger population which is a limiting factor for the City.

- The City began parking enforcement in 2025 which will generate new infraction revenue The City Council is continuing conversations about paid parking. It is anticipated that paid parking will being in mid-2026.

- Union negotiations
  - Contracts for both bargaining units went into effect in 2025. This provides greater certainty in cost projections over the biennium. Budgets were prepared using the new contracted figures.

- Debt Issues
  - A general obligation issue for the Poulsbo Events and Recreation Center, next phase of Noll Road and the Nordic Cottages was issued in February 2026. The bond issue will be approximately $20 million. Payments will be funded from contributions from the Kitsap Public Facilities District, grant funds, affordable housing sales tax and real estate excise tax collected by the City
  - In November of 2025 the City entered into an agreement with the Washington State Public Works Board for a Public Works Assistance Account loan for $10 million. This loan will fund the City's share of the Kitsap County Solids & Liquids Haul project.

Request for Information

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the monies it receives. Any questions about this report or requests for additional financial information should be addressed to the Finance Department, City of Poulsbo, 200 NE Moe Street, Poulsbo, Washington, 98370 or by email to Deborah Booher, Assistant City Administrator, dbooher@poulsbo.gov. For full contact information, please visit the City of Poulsbo's website at www.poulsbo.gov

STATEMENT OF NET POSITION
December 31, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	$ 4,164,171	$ 2,307,998	$ 6,472,169
Investments	18,002,552	30,396,340	48,398,892
Restricted Assets			
Restricted Cash			-
Investments	121,917	10,600	132,517
Receivables (*net of allowance for uncollectibles)*			
Taxes	2,398,634	-	2,398,634
Customer Accounts	422,366	1,335,031	1,757,398
Other Receivable	6,640	15,587	22,227
Leases Receivable	105,209	1,009,195	1,114,405
Intergovernmental Receivable	1,122,429	81,248	1,203,677
Inventories	6,106	88,663	94,769
Prepaids	21,720	1,500	23,220
Net Pension Asset	2,563,646	456,848	3,020,494
Capital Assest not being depreciated:			
Land & Right of Ways	38,823,621	7,008,309	45,831,930
Construction in Progress	9,175,761	1,627,036	10,802,796
Capital Assets (*net of accumulated depreciation/amortization*):			
Buildings and Structures	13,031,263	2,936,548	15,967,812
Other Improvements	42,551,355	56,868,978	99,420,334
Machinery and Equipment	2,323,837	3,315,337	5,639,174
Intangibles	923,815	25,324,110	26,247,924
Total Assets	**135,765,041**	**132,783,329**	**268,548,371**
Deferred Outflows of Resources			
Pension related	3,391,777	601,524	3,993,301
OPEB related	11,556	-	11,556
Deferred Charge on Refunding	269,302	-	269,302
Total Deferred Outflows of Resources	**3,672,635**	**601,524**	**4,274,159**
Liabilities			
Accounts Payable and Other Accrued Liabilities	713,611	1,008,064	1,721,675
Employee Wages	701,848	138,308	840,156
Contracts and Retainage Payable	62,127	38,770	100,898
Accrued Interest Payable	15,278	20,293	35,571
Deposits Payable	695,218	10,600	705,818
Revenues Collected in Advance	12,885	50,436	63,321
Unearned Revenues	143,818	-	143,818
Noncurrent Liabilities:			
Due within one year: bonds, notes, leases, subscriptions, claims, compensated absences	1,295,203	493,713	1,788,916
Total OPEB Liability due within one year	60,211	-	60,211
Due in more than one year:			
Net pension Liability - actuarially funded	344,979	109,041	454,020
Total OPEB Liability	910,033	-	910,033
Bonds, notes, leases, subscriptions, claims, compensated absences	6,525,333	6,894,285	13,419,618
Total Liabilities	**11,480,543**	**8,763,510**	**20,244,053**
Deferred Inflows of Resources			
Property Taxes/Grants/Misc	90,082	-	90,082
Pension related	809,696	142,688	952,384
Leases	119,423	981,560	1,100,982
Total Deferred Inflows of Resources	**1,019,201**	**1,124,247**	**2,143,448**
Net Position			
Net Investment in Capital Assets	99,911,041	89,663,231	189,574,272
Restricted for:			
Net Pension Asset	2,563,646	456,848	3,020,494
Capital Projects	9,141,594	-	9,141,594
Opioid Settlement	332,329	-	332,329
Drug Enforcement	33,734	-	33,734
Criminal Justice	195,822	-	195,822
Substance Abuse Program	7,320	-	7,320
Public, Educational, Governmental Cable	155,076	-	155,076
Promoting Downtown Businesses	73,846	-	73,846
Promoting Tourism	439,596	-	439,596
City Beautification - Expendable	12,050	-	12,050
City Beautification - Nonexpendable	91,016	-	91,016
Unrestricted (deficit)	13,980,863	33,377,017	47,357,879
Total Net Position	**$ 126,937,933**	**$ 123,497,095**	**$ 250,435,028**

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

Page 1 of 2

Primary Government		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Governmental activities:				
General Government	$ 4,670,047	$ 377,442	$ 226,968	$ -
Judicial	642,938	172,542	3,098	-
Security of Persons & Property	5,538,729	55,812	267,743	-
Utilities & Environment	38,306	5,000	-	-
Transportation	4,678,177	267,314	230,693	6,479,484
Economic Environment	1,728,839	1,195,119	419	837,408
Mental & Physical Health	1,103,323	42,748	423,587	59,073
Culture & Recreation	2,249,729	1,353,541	359,645	1,143,242
Interest on Long-Term Debt	215,666	-	-	-
Total Governmental Activities	**20,865,755**	**3,469,516**	**1,512,154**	**8,519,207**
Business-type Activities:				
Water	3,146,656	3,124,467	-	1,077,637
Sewer	5,388,239	5,946,733	-	2,432,748
Solid Waste	4,182,502	3,996,011	-	-
Storm Drain	2,431,237	2,499,290	35,303	1,332,077
Total Business-Type Activities	**15,148,634**	**15,566,500**	**35,303**	**4,842,462**
Total Primary Government	**$ 36,014,389**	**$ 19,036,016**	**$ 1,547,457**	**$ 13,361,670**

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES *(continued)*
FOR THE YEAR ENDED DECEMBER 31, 2025
Page 2 of 2

	Net (Expenses) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Governmental activities:			
General Government	$ (4,065,637)	$ -	$ (4,065,637)
Judicial	(467,298)	-	(467,298)
Security of Persons & Property	(5,215,174)	-	(5,215,174)
Utilities & Environment	(33,306)	-	(33,306)
Transportation	2,299,314	-	2,299,314
Economic Environment	304,107	-	304,107
Mental & Physical Health	(577,915)	-	(577,915)
Culture & Recreation	606,698	-	606,698
Interest on Long-Term Debt	(215,666)	-	(215,666)
Total Governmental Activities	**(7,364,877)**	**-**	**(7,364,877)**
Business-Type Activities:			
Water	-	1,055,448	1,055,448
Sewer	-	2,991,241	2,991,241
Solid Waste	-	(186,492)	(186,492)
Storm Drain	-	1,435,433	1,435,433
Total Business-Type Activities	**-**	**5,295,631**	**5,295,631**
Total Primary Government	**(7,364,877)**	**5,295,631**	**(2,069,246)**
General Revenues:			
Property Taxes	3,233,366	-	3,233,366
Retail Sales & Use Taxes	7,803,778	-	7,803,778
Business and Occupation Taxes	4,952,961	-	4,952,961
Excise Taxes	1,353,039	-	1,353,039
Unrestricted Interest & Investment Earnings (Loss)	1,350,802	1,029,507	2,380,309
Gain on disposal of capital assets	30	-	30
Unusual or infrequent item - Loss due to capital project deemed non-buildable	(311,618)	-	(311,618)
Total General Revenues	**18,382,357**	**1,029,507**	**19,411,865**
Change in Net Position	11,017,480	6,325,138	17,342,619
Net Position - beginning of year	115,920,452	117,171,957	233,092,410
Net Position - End of Year	**$ 126,937,933**	**$ 123,497,095**	**$ 250,435,028**

The notes to the financial statements are an integral part of this statement.

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General Fund	Street Reserve Fund	Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	$ 939,817	$ 79,037	$ 1,203,105	$ 1,942,211	$ 4,164,171
Investments	6,739,336	364,739	1,031,587	9,866,889	18,002,552
Cash and Investments - Restricted	25,056	-	-	96,860	121,917
Receivables *(net of allowance for uncollectibles)*					
Taxes	1,997,233	-	-	401,401	2,398,634
Accounts	421,166	-	-	7,836	429,003
Interest	3	-	-	-	3
Leases Receivable	105,209	-	-	-	105,209
Intergovernmental Receivable	22,110	419,992	591,270	89,056	1,122,429
Pre-Paid	7,870	-	-	13,850	21,720
Inventories	6,106	-	-	-	6,106
Total Assets	**10,263,908**	**863,768**	**2,825,962**	**12,418,105**	**26,371,743**
Deferred Outflows of Resources	**-**	**-**	**-**	**-**	**-**
Total Assets and Deferred Outflows of Resources	**10,263,908**	**863,768**	**2,825,962**	**12,418,105**	**26,371,743**
Liabilities					
Accounts Payable	359,086	117,968	85,525	151,032	713,611
Retainage Payable	3,487	23,659		34,982	62,127
Deposits Payables	689,975	-	-	5,242	695,218
Payroll Payable	646,220	11,600	912	43,117	701,848
Deposits and Other Payables	12,885	-	-	-	12,885
Unearned Revenues	143,818	-	-	-	143,818
Total Liabilities	**1,855,470**	**153,227**	**86,437**	**234,373**	**2,329,507**
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	50,567	-	-	-	50,567
Unavailable Revenue - Grants/Settlements/Misc	315,968	462	151,603	82,382	550,416
Lease Related	119,423	-	-	-	119,423
Total Deferred Inflows of Resources	**485,958**	**462**	**151,603**	**82,382**	**720,405**
Fund Balances (Deficits)					
Nonspendable Fund Balance	15,476	-	-	91,016	106,492
Restricted Fund Balance	267,905	-	-	9,896,642	10,164,547
Assigned Fund Balance	375,000	710,080	2,587,922	2,113,691	5,786,692
Unassigned Fund Balance (Deficits)	7,264,099	-	-	-	7,264,099
Total Fund Balances (Deficits)	**7,922,480**	**710,080**	**2,587,922**	**12,101,349**	**23,321,831**
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	**$ 10,263,908**	**$ 863,768**	**$ 2,825,962**	**$ 12,418,105**	**$ 26,371,743**

The notes to the financial statements are an integral part of this statement.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION DECEMBER 31, 2025

Total Governmental Fund Balances:		$ 23,321,831
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		106,829,652
These assets consist of:		
Land	38,823,621	
Buildings and structures	18,396,856	
Improvements	73,116,101	
Machinery and Equipment	6,363,889	
Construction in Progress	9,175,761	
Intangibles	2,200,546	
Accumulated Depreciation	(41,247,123)	
Net pension assets resulting from annual contributions in excess of required contributions are not financial resources and therefore are deferred in governmental funds.		2,563,646
Some of the city's receivables will not be collected soon enough to pay for current period expenditures and therfore are reported as deferred inflows in the governmental funds.		269,302
Deferred inflows - property taxes		50,567
Deferred inflows - grants/settlements/misc		460,334
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Interest Payable	15,278	
Long-term Liabilities (bonds, notes, leases, claims, compensated absences)	7,820,535	
OPEB Liability	970,244	
Pension Liability	344,979	
		(9,151,036)
Amounts reported as deferred outflows and inflows of resources related to pensions and OPEB will be amortized and recognized as components of pension or OPEB expense in future years.		
Deferred outflow - pension	3,391,777	
Deferred outflow - OPEB	11,556	
Deferred inflow - pension	(809,696)	
		2,593,637
Net Position of governmental activities		$ 126,937,933

The notes to the financial statements are an integral part of this statement.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2025

	General Fund	Street Reserve Fund	Facilities Fund	Non-Major Governmental Funds	Total
Revenues					
Property Taxes	$ 3,227,532	$ -	$ -	$ -	$ 3,227,532
Sales Taxes	6,124,467	-	-	3,034,717	9,159,184
Franchise Taxes	5,043,911	-	-	-	5,043,911
Licenses and Permits	987,267	-	-	35,670	1,022,937
Intergovernmental	744,141	5,567,972	1,337,869	625,215	8,275,197
Charges for Services	1,562,843	-	-	969,235	2,532,077
Fines and Forfeitures	718,684	-	-	113	718,797
Interest and Other Earnings	970,963	27,256	45,301	308,437	1,351,958
Miscellaneous	229,677	-	17,557	222,866	470,100
Total Revenues	**19,609,485**	**5,595,229**	**1,400,727**	**5,196,252**	**31,801,693**
Expenditures					
Current					
General Government	5,118,268	-	-	-	5,118,268
Security of Persons & Property	5,488,045	-	-	36,995	5,525,039
Utilities & Environment	36,466	-	-	-	36,466
Transportation	728,189	-	-	1,625,693	2,353,882
Economic Environment	1,302,679	-	-	540,865	1,843,545
Mental & Physical Health	791,333	-	-	329,177	1,120,510
Culture & Recreation	1,928,540	-	-	99,424	2,027,964
Debt Service:					
Principal	282,554	-	-	979,758	1,262,312
Interest & Other Charges	20,355	-	-	195,654	216,009
Capital Outlay	-	7,048,740	4,342,588	1,749,018	13,140,346
Total Expenditures	**15,696,427**	**7,048,740**	**4,342,588**	**5,556,585**	**32,644,341**
Excess (deficiency) of Revenues Over Expenditures	3,913,058	(1,453,512)	(2,941,861)	(360,333)	(842,648)
Other Financing Sources (Uses)					
Transfers In	-	1,340,000	3,413,496	3,015,458	7,768,953
Transfers Out	(6,124,453)	-	-	(1,644,500)	(7,768,953)
Leases - as lessee	-	-	-	506,463	506,463
SBITA				24,001	24,001
Sale of General Assets	30	-	-	-	30
Insurance Recoveries	22,639	-	-	-	22,639
Total Other Financing Sources and Uses	**(6,101,785)**	**1,340,000**	**3,413,496**	**1,901,421**	**553,132**
Net Change in Fund Balances	(2,188,727)	(113,512)	471,634	1,541,088	(289,516)
Fund Balances - beginning of year	10,111,207	823,591	2,116,288	10,560,261	23,611,347
Fund Balances (deficit) - End of Year	**$ 7,922,480**	**$ 710,080**	**$ 2,587,922**	**$ 12,101,349**	**$ 23,321,831**

The notes to the financial statements are an integral part of this statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2025

Net change in Fund balance--total governmental funds	$	(289,516)
Amounts reported for Governmental activities in the statement of activities are different because:		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenditure.		
This is the amount of capital outlays		13,140,346
This is the amount of depreciation/amortization		(3,211,797)
Unusual or infrequent item due to Project Non-Buildable		(311,617)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government funds.		199,597
Developers construct and then contributed capital infrastructure assets to the City. These assets are reported on the statement of activities but not reported in the fund statements.		159,206
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds.		(518,776)
Principal payments		1,262,312
Some expenses reported in the statement of activities do not require the use of the governmental funds.		587,724
Change in net position of governmental activities	$	11,017,480

The notes to the financial statements are an integral part of this statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2025

	Business-type Activities				
	Water	Sewer	Solid Waste	Storm Drain	Total Enterprise Funds
Assets					
Current Assets:					
Cash and Cash Equivalents	$ 244,331	$ 1,243,002	$ 330,499	$ 490,166	$ 2,307,998
Investments	9,479,302	15,058,709	1,421,918	4,436,411	30,396,340
Restricted Investments	10,600	-	-	-	10,600
Accounts Receivable, net	239,672	533,362	350,977	211,021	1,335,031
Leases Receivable	47,560	-	-	-	47,560
Interest Receivable - Leases	15,587	-	-	-	15,587
Intergovernmental Receivable	-	-	-	81,248	81,248
Inventories	83,860	4,803	-	-	88,663
Prepaid Items	500	500	250	250	1,500
Total Current Assets	10,121,412	16,840,377	2,103,644	5,219,096	34,284,528
Noncurrent Assets:					
Capital Assets Not Being Depreciated	1,495,671	1,033,820	587,788	5,518,065	8,635,345
Capital Assets, Net of Accumulated Depreciation/Amortization	19,478,811	46,277,534	1,387,456	21,301,172	88,444,973
Leases Receivable	961,635	-	-	-	961,635
Net Pension Asset	121,908	83,425	125,700	125,814	456,848
Total Noncurrent Assets	22,058,026	47,394,780	2,100,944	26,945,051	98,498,801
Total Assets	**32,179,438**	**64,235,157**	**4,204,588**	**32,164,146**	**132,783,329**
Deferred Outflows of Resources					
Pension related	161,068	110,168	164,031	166,257	601,524
Total Deferred Outflows of Resources	**161,068**	**110,168**	**164,031**	**166,257**	**601,524**
Liabilities					
Current Liabilities					
Accounts Payable	109,436	727,709	205,045	104,182	1,146,372
Compensated Absences	5,996	3,841	6,942	5,499	22,279
Retainage Payable	-	3,999	-	34,771	38,770
Deposits Payable	10,600	-	-	-	10,600
Accrued Interest Payable	681	18,177	929	507	20,293
Bond Anticipation Note Payable	27,960	328,924	35,924	19,595	412,404
Unearned Revenue	50,436	-	-	-	50,436
Total Current Liabilities	205,109	1,082,650	248,841	164,554	1,701,154
Noncurrent Liabilities:					
Compensated Absences	53,962	34,573	62,481	49,494	200,510
Bonds Payable	363,254	5,507,363	570,828	311,361	6,752,805
Net Pension Liability	29,097	19,912	30,002	30,029	109,041
Total Noncurrent Liabilities	446,313	5,561,848	663,311	390,884	7,062,356
Total Liabilities	**651,422**	**6,644,498**	**912,152**	**555,438**	**8,763,510**
Deferred Inflows of Resources					
Pension related	38,346	26,203	38,284	39,854	142,688
Leases	981,560	-	-	-	981,560
Total Deferred Inflows of Resources	**1,019,906**	**26,203**	**38,284**	**39,854**	**1,124,247**
Net Position					
Net Investment in Capital Assets	20,541,250	41,357,313	1,368,492	26,396,176	89,663,231
Restricted for Net Pension Asset	121,908	83,425	125,700	125,814	456,848
Unrestricted	10,006,019	16,233,884	1,923,991	5,213,122	33,377,017
Total Net Position	**$ 30,669,178**	**$ 57,674,623**	**$ 3,418,183**	**$ 31,735,112**	**$ 123,497,095**

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Business-type Activities				
	Water	Sewer	Solid Waste	Storm Drain	Total Enterprise Funds
Operating Revenues:					
Charges for Services	$ 2,985,771	$ 5,937,381	$ 3,959,360	$ 2,466,886	$ 15,349,397
Other Operating Revenues	116,195	35,499	32,151	31,285	215,130
Total Operating Revenues	**3,101,967**	**5,972,880**	**3,991,511**	**2,498,170**	**15,564,527**
Operating Expenses:					
Salaries and Wages	729,966	545,350	1,012,667	732,579	3,020,562
Personnel Benefits	276,054	209,725	395,345	277,788	1,158,912
Materials and Supplies	217,951	34,271	189,525	76,679	518,426
Services	1,072,864	2,786,532	2,426,111	668,670	6,954,177
Depreciation	842,350	1,612,951	147,327	669,233	3,271,861
Total Operating Expenses	**3,139,186**	**5,188,828**	**4,170,975**	**2,424,949**	**14,923,938**
Operating Income (Loss)	(37,219)	784,052	(179,464)	73,221	640,590
NonCapital Subsidies:					
Intergovernmental	-	-	-	35,303	35,303
Total noncapital subsidies	**-**	**-**	**-**	**35,303**	**35,303**
Operating Income (loss) and noncapital subsidies	**(37,219)**	**784,052**	**(179,464)**	**108,524**	**675,893**
Other Nonoperating Revenues (Expenses)					
Interest and Other Earnings	298,306	568,058	48,315	131,596	1,046,276
Gain from Sale of Capital Assets	5,732	1,736	4,500	1,120	13,087
(Loss) from Sale of Capital Assets	-	(27,883)	-	-	(27,883)
Interest Expense	(7,470)	(199,411)	(11,528)	(6,288)	(224,696)
Capital Contributions - Cash	704,361	2,332,063	-	1,054,606	4,091,029
Capital Contributions - Developers	373,276	100,685		277,471	751,433
Total Nonoperating Revenues (Expenses)	**1,374,206**	**2,775,247**	**41,288**	**1,458,506**	**5,649,246**
Increase (decrease) in fund net position	1,336,986	3,559,299	(138,176)	1,567,030	6,325,138
Net Position - Beginning of Year	29,332,191	54,115,324	3,556,360	30,168,082	117,171,957
Total Net Position - End of Year	**$ 30,669,178**	**$ 57,674,623**	**$ 3,418,183**	**$ 31,735,112**	**$ 123,497,095**

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025
Page 1 of 2

	Business-type Activities				
	Water	Sewer	Solid Waste	Storm Drain	Total Enterprise Funds
Cash Flows from Operating Activities					
Receipts from customers and users	$ 3,116,604	$ 5,941,687	$ 3,977,949	$ 2,461,065	$ 15,497,304
Payments to suppliers and service providers	(1,175,384)	(3,224,259)	(2,375,683)	(667,800)	(7,443,126)
Payments to employees for salaries and benefits	(774,986)	(507,129)	(789,266)	(782,420)	(2,853,801)
Payments to other funds for services provided	(382,584)	(390,593)	(917,060)	(377,804)	(2,068,041)
Net cash provided by (used for) operating activities	**783,651**	**1,819,706**	**(104,061)**	**633,040**	**3,132,337**
Cash Flows From Noncapital Financing Activities					
Operating Grants	-	-	-	35,303	35,303
Net cash provided (used) by noncapital financing activities	**-**	**-**	**-**	**35,303**	**35,303**
Cash Flows from Capital and Related Financing Activities					
Connection Fees	704,361	2,332,063	-	217,974	3,254,398
Capital Grants	-	-	-	836,631	836,631
Acquisition and Construction of Capital Assets	(531,702)	(5,500,462)	23,989	(884,124)	(6,892,298)
Purchase of Capital Assets	(90,385)	(30,574)	-	-	(120,959)
Principal paid on Capital Debt	(22,592)	(312,592)	(35,502)	(19,365)	(390,050)
Interest paid on Capital Debt	(7,536)	(232,632)	(11,563)	(6,307)	(258,037)
Proceeds from Capital Debt	(8,457)	-	-	-	(8,457)
Net cash provided by (used for) capital and related financing activities	**43,690**	**(3,744,197)**	**(23,075)**	**144,811**	**(3,578,771)**
Cash Flows from Investing Activities					
Purchase of investments	(6,346,450)	(4,107,197)	(21,631)	(1,343,652)	(11,818,930)
Proceeds from sales and maturities of investments	4,888,304	5,878,336	165,655	819,176	11,751,471
Interest on Investments	298,306	568,058	48,315	131,596	1,046,276
Net cash provided by (used for) investing activities	**(1,159,840)**	**2,339,196**	**192,339**	**(392,879)**	**978,816**
Net increase (decrease) in Cash and Cash Equivalents	(332,500)	414,706	65,203	420,274	567,684
Cash and Cash Equivalents - Beginning of Year	576,830	828,296	265,296	69,892	1,740,314
Cash and Cash Equivalents - End of Year	**$ 244,331**	**$ 1,243,002**	**$ 330,499**	**$ 490,166**	**$ 2,307,998**

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS *(continued)*
FOR THE YEAR ENDED DECEMBER 31, 2025
Page 2 of 2

	Business-type Activities				
	Water	Sewer	Solid Waste	Storm Drain	Total Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating Income (Loss)	$ (37,219)	$ 784,052	$ (179,464)	$ 73,221	$ 640,590
Depreciation Expense	842,350	1,612,951	147,327	669,233	3,271,861
adjustments					-
(Increase) decrease in Accounts Receivable	(46,330)	(32,929)	(18,062)	(11,127)	(108,448)
(Increase) in Intergovernmental Receivables	-	-	-	(27,099)	(27,099)
(Increase) decrease in Inventories	19,958	24	-	-	19,982
(Increase) decrease in Custodial Funds payable	4,800	-	-	-	4,800
(Increase) decrease in Interest and Other Earnings	5,732	1,736	4,500	1,120	13,087
(Increase) decrease in pension related deferred outflows of resources	(3,529)	(743)	(4,894)	452	(8,714)
(Decrease) increase in Accounts Payable	9,336	(482,231)	8,676	(14,156)	(478,375)
(Decrease) in accrued liabilities	50,436	-	-	-	50,436
(Decrease) increase in Compensated Absences	(24,674)	(37,937)	(23,592)	(20,806)	(107,009)
(Decrease) in Net Pension Liability	(28,997)	(19,117)	(30,444)	(28,148)	(106,706)
(Decrease) in pension related deferred inflows of resources	(8,212)	(6,099)	(8,107)	(9,650)	(32,068)
Total Adjustments	**820,870**	**1,035,655**	**75,403**	**559,819**	**2,491,747**
Net Cash provided by (used for) Operating Activities	**$ 783,651**	**$ 1,819,706**	**$ (104,061)**	**$ 633,040**	**$ 3,132,337**
Schedule of non-cash Capital and related financing activities:					
Investment Earnings Unrealized	8,865	41,314	112	16,988	67,279
Capital Contributions by Developers	373,276	100,685	-	277,471	751,433
Accounts Payable for Capital Items	38,307	(996,895)	-	57,334	(901,254)
Retainage Payable	-	(2,641)	-	34,771	32,131

The notes to the financial statements are an integral part of this statement.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2025

		Custodial Funds
Assets		
Cash and Cash Equivalents	$	41,416
Total Assets		**41,416**
Liabilities		
Accounts Payable		17,673
Total Liabilities		**17,673**
Fiduciary Net Position		
Restricted For:		
Individuals, Organizations and Other Governments		23,743
Total Net Position	**$**	**23,743**

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

		Custodial Funds
Additions		
Collections of Funds for Other Governments:		
Bail Funds and Restitution		204,806
Other Deposits		74,582
Total Additions		**279,388**
Deductions		
Distribution of Funds to Other Governments:		
Bail Funds and Restitution		204,806
Other Payments to State and Local Governments		61,104
Total Deductions		**265,910**
Net Increase (Decrease) in Fiduciary Net Position		13,478
Fiduciary Net Position - Beginning of Year		10,265
Fiduciary Net Position - End of Year	**$**	**23,743**

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Poulsbo have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

REPORTING ENTITY

The City of Poulsbo, located in Kitsap County, Washington, was incorporated in 1908. It operates under the laws of the State of Washington applicable to code cities with a Mayor-Council form of government. A full-time mayor and seven council members, all elected at large for four-year terms, administer the City. The City provides what are considered general government services including public safety, streets, parks and recreation, planning and zoning, permits and inspection, general administrative, water, sanitary sewer collection, solid waste collection, and storm drainage services.

The City's Annual Comprehensive Financial Report includes all funds, agencies and boards controlled by, or dependent on, the City. Control by or dependence on the City was determined on the basis of financial accountability, budget adoption, taxing authority, outstanding debt service secured by revenues or general obligations of the City, obligations of the City to finance any deficits that may occur, or receipt of significant subsidies from the City.

BASIS OF PRESENTATION - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's basic financial statements consist of government-wide reports including a statement of net position and statement of activities, supplemented by fund financial statements to provide further details.

The government-wide financial statements provide information on all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The ***Statement of Activities*** presents changes in the government-wide net position by function or program. It focuses on expenses rather than expenditures and shows to what extent direct program revenues offset expenses for a given function. Our policy is to allocate indirect costs to a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from a program; and 2) grants and contributions that are restricted for the purpose of operational or capital use for a particular program. Taxes and other items such as investment interest, not restricted to specific programs, are reported on the statement as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each function is self-financing or draws from the general revenues of the City.

The ***Statement of Net Position*** presents the financial condition of the City's governmental and business- type activities at year-end. It reports all financial and capital assets including infrastructure and all liabilities, including current and long-term.

During the year, the City segregates transactions related to certain City functions or activities into separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level and include statements for governmental, proprietary, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide statements. In the basic financial statements, the governmental and enterprise fund financial statements focus on major funds. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

As a rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this general rule are charges between the government's utilities functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The City of Poulsbo reports the following major governmental funds:

The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***Street Reserve Fund***, under the administration of the Engineering Department, provides for planning, design, and construction improvements associated with the City's transportation system. This includes construction of roads, traffic control devices, curbs, gutters, and sidewalks as well as roadway drainage improvements and pavement restoration. Most revenue sources are from state, federal and local transportation grants. Additional funding may come from operating transfers from the general government funds.

The ***Facilities Fund***, under the administration of the Finance Department, was established to fund capital improvements to the City facilities. This includes capital improvements to City facilities owned by government operations requiring multiple department coordination and primarily funded by debt proceeds, transfer of funds generated from taxes, and grants.

The City of Poulsbo reports the following major proprietary funds:

The ***Water Fund*** accounts for providing water services. Its revenues are mostly received from service charges and system connection charges. Expenses are for maintenance and operations of a water supply, storage, and distribution system. This fund also reflects the operation of revenue bonds outstanding, the funds available for redemption of bonds, cumulative reserve, and construction funds.

The ***Sewer Fund*** accounts for providing sewer services. Its revenues are mostly received from service charges and system connection charges. Expenses are for maintenance and extensions of drainage, sewer service facilities, maintaining sewer collection and transmission systems. This fund also reflects the operation of revenue bonds outstanding, the funds available for redemption of bonds, cumulative reserve, and construction funds.

The ***Solid Waste Fund*** accounts for the operation, collection, and transportation of solid waste. Its revenues are received from service charges. Expenses are made up of the cost of collection and disposal of solid waste.

The ***Storm Drain Fund*** accounts for the operation, construction, and maintenance of the storm water management system. Its revenues are received from service charges and system connection charges.

Additionally, the City reports the following fund types:

Special Revenue Funds account for the proceeds of specific revenue sources to finance specific activities as required by law or administration regulations. Their revenues are earmarked to finance certain activities or functions.

Debt Service Funds account for resources accumulated and payment made for principal and interest on the general government debt except those required to be accounted for in another fund.

Capital Project Funds account for the acquisition or development of capital facilities for governmental activities. The major sources of revenue are from proceeds from general obligation bonds, grants, and contributions from other funds.

Custodial Funds account for assets held by the City as an agent for private individuals or other governments. Custodial amounts are fiduciary in nature and are prepared using the economic resources measurement focus and full accrual basis of accounting. The resources in the custodial fund, upon receipt, are normally expected to be held for three months or less. These amounts are excluded from the government-wide financial statements. Included in these amounts are receipts related to court activities, taxes, and state fees. The City reports all custodial amounts in one fund.

Permanent Funds account for resources that are legally restricted to the extent that only the earnings, and not the principal, may be used for specific purposes that support the City's programs and benefit the City and its citizens. The City has one *Permanent fund*, the Bernice Borgen Beautification Fund. The fund accounts for a trust established from Ms. Borgen's estate of an original donation of $91,016 for beautification of the City. The City Council has the authority to determine what the expenditures will be.

As of year-end, funds available for expenditure are $12,049.82. This amount also represents the designated unrealized investment earnings.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property and Business & Occupation taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current fiscal period are all considered predisposed to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. All other revenue items are deemed measurable and available only when cash is received by the City.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are the charges for goods and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Cash and Investments

At December 31, 2025, the City held $6,472,169 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds.

The City considers cash and cash equivalents to be cash on hand, demand deposits, and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased. In addition, because the Local Government Investment Pool (LGIP) is sufficiently liquid to effectively allow for deposits and withdrawals of cash at any time without prior notice or penalty as if it were a demand deposit account, equity in the pool is also deemed to be a cash equivalent.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

It is the City's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

The City reports its deposit and investment risk disclosures in accordance with GASB 40 (see note 3).

Receivables

The City of Poulsbo recognizes receivables in its various funds using the accounting basis required for that fund. These receivables are as follows:

Property Taxes

The City's annual property tax levy is billed and collected by Kitsap County. Taxes collected by the County, but not remitted to the City by year-end, are reported as receivables. Taxes are levied and become a lien on the first day of the calendar year. When property taxes become three years' delinquent, the County is required by State statute to foreclose on the property.

Accounts Receivable

Customer Accounts Receivable consist of amounts owed by private individuals or organizations for goods and services provided. Uncollectable amounts are considered immaterial, and the direct write-off method is used.

Special Assessments

Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties. Deferred assessments consist of unbilled special assessments that are liens against the property benefited.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between City funds. Interfund transactions such as buying goods and services are recorded as revenues and expenditures. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Transfers between funds are included as "other financing sources or uses." Interfund loans, when applicable, are recorded as a receivable in the lending fund and payables in the borrowing fund. The City had no interfund loans in 2025.

The City levies a utility tax on the revenues of its own enterprise funds (Water, Sewer, Solid Waste, and Storm Drain). On the fund statements, these taxes are recorded as an expense in enterprise funds, and as revenue in the General Fund.

Other interfund transfers as of December 31, 2025, were as follows*:*

	Transfers Out:		
Transfers In:	**General Fund**	**Non-Major Gov'l**	**Total**
General Fund	$ -	$ -	$ -
City Street Reserve Fund	140,000	1,200,000	1,340,000
Facilities Fund	3,413,496	-	3,413,496
Non-Major Gov'l Funds	2,570,957	444,500	3,015,457
Total Transfers	**$ 6,124,453**	**$ 1,644,500**	**$ 7,768,953**

Amounts Due to and from Other Governmental Units

These receivables reflect measurable and available intergovernmental charges for services rendered by, or to, the City for, or by, another government unit.

Inventories and Prepaid Items

Inventories are defined as assets which may be held for internal consumption or for resale. On the government-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are recorded as expenditures when consumed rather than when purchased. On the fund financial statements, the City uses the following policies in valuing and recording inventory items that are used:

a. Inventories are valued at cost using the average cost method. The costs of inventories in the governmental fund types are recorded as expenditures when consumed rather than when purchased.

b. In proprietary funds, a perpetual inventory is maintained in which the cost is capitalized when inventory items are purchased and expensed when the item is consumed. The average cost method of valuation which approximates market is used to value the inventory. A physical inventory is taken at year-end.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets

Restricted Assets include resources reserved for capital purchases from debt service funds and the amount of our permanent trust fund.

Capital Assets

Capital assets are generally considered property and equipment owned by the City costing $10,000 or more and having more than an estimated useful life more than 1 year. Additionally, new infrastructure construction (e.g. roads, bridges, sidewalks, etc.) of $100,000 or more is also reported as capital. Assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if the actual cost is not available. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are recorded in Construction in Progress as they are constructed and capitalized upon completion.

Assets are depreciated using the straight-line method over the following estimated useful lives:

	Estimated Useful Life in Years
Bridges	100
Roads and Street Lighting	30-40
Sidewalks	10-40
Water, Sewer, and Storm Drain Mains	50
Hydrants and Wells	50
Buildings	10-50
Playfields and Other Recreational Facilities	20
Other Improvements	5-25
Vehicles, Boats, and Construction Equipment	10
Machinery/Shop Equipment	5-25
Office/Communication Equipment	5-20
Furniture	10
Law Enforcement Equipment	5
Computer Software/Hardware	4-5

Right-to-use lease equipment and subscription assets are amortized over the life of the associated contract.

Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused, vacation leave up to a maximum of 240 hours. Vacation pay is payable to the maximum upon resignation, retirement, or the death of an employee. Compensatory time may be accrued up to a maximum of 80 hours for uniformed officers and up to 50 hours for all other non-exempt employees.

Sick leave accumulation is unlimited, apart from the Poulsbo Police Association members who may maintain a maximum balance of 1,200 hours on December 31. Annual accrual could be elected to be cashed out for 50% for employees hired before December 31, 2012, or 25% for employees hired after January 1, 2013, once a 1,000-hour balance is reached. All sick leave is payable upon resignation, retirement, or the death of an employee for 50% for employees hired before December 31, 2012, or 25% for employees hired after January 1, 2013, up to a maximum balance of 1,200 hours, except for Poulsbo Police Association members who will receive the cash out only upon retirement from the LEOFF system.

In accordance with GASB 101, the City accrues vacation pay and no liability is recorded for non-vesting accumulation rights to receive sick pay benefits. However, a liability is recognized for the average sick leave hours expected to be used during the fiscal year at 100%, then the remaining hours (1,200 maximum) are recorded at the corresponding cash-out percentage, 25% or 50%, dependent on hire date.

The entire compensated absence liability is reported on the government-wide financial statements. In the proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Pensions and OPEB

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Lifetime full medical coverage is provided to uniformed Police and Fire personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF 1) retirement system prior to October 1, 1977. The City has two retirees who qualify for this benefit. An OPEB liability using the alternative measurement method has been recognized.

Custodial Accounts

These accounts reflect the liability for net monetary assets being held by the City in its trustee or agency capacity. Included in these amounts are funds related to court activities, taxes, and state fees. The City holds and reports all custodial funds collected in one fund.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. Also, all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities once incurred are paid in a timely manner and in-full from current financial resources, and reported as obligations of the funds. When due, bonds and long-term loans are recognized as a liability on the governmental fund financial statements.

Unearned Revenues

Unearned revenues consist of receivables for charges for services to be recognized in the following year or funds paid in advance by customers for services to be recognized in the following year.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements will sometimes report a separate section for deferred outflow of resources. Deferred outflows of resources represent a consumption of net assets that applies to future periods.

In addition to liabilities, the statements will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to future periods.

Fund Balance Classification

In the fund financial statements, governmental funds report fund balances based on the extent to which the City is bound to observe constraints on the use of the governmental funds’ resources. Fund balances are classified in the following manner:

Nonspendable - includes amounts that are either 1) not in spendable form, or 2) legally or contractually required to be maintained intact. Inventories, prepaid items, petty cash/change funds, and permanent trusts are classified as nonspendable fund balances.

Restricted - includes amounts which are constrained for specific purposes that are 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through enabling legislation.

Committed - includes amounts that can be used for specific purposes with constraints imposed by formal action of the highest level of decision-making authority. The authorization specifying the purposes for which committed funds can be used should have the consent of both the legislative and executive branches of government. The City operates under a Mayor-Council form of government. As Executive Officer, the Mayor supervises the administrative process of the City and works with the City Council. The City Council enacts ordinances and resolutions that may impose, modify, or rescind fund balance commitments. (The City does not have any committed balances.)

Assigned - includes amounts that are intended to be used for specific purposes but are neither restricted nor committed. The authority for assignment of funds is not required to be the government’s highest level of decision-making authority. Furthermore, the constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on committed fund balances. The City Council may authorize executive officers to assign fund balances for specific purposes through Council files, ordinances, and resolutions.

Unassigned - includes amounts that are not assigned to other funds and do not meet the criteria for being classified as restricted, committed, or assigned. The General Fund is the only fund that may show a positive unassigned fund balance. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The primary flow assumption utilized by the City is: 1) Restricted, 2) Committed, 3) Assigned, 4) Unassigned. However, prior to the commencement of any project, the flow assumption is reviewed to ensure that the proper resources are being used. The following is the breakdown:

	Nonspendable Purposes	Restricted Purposes	Assigned Purposes	Unassigned Purposes	Totals
General Fund					
General Government	$ 15,476			$ 7,264,099	$ 7,279,575
Public, Education, Government Cable	-	155,076	-	-	155,076
Substance Abuse Program/Opioid Settlement	-	112,829	-	-	112,829
Compensated Absences Liability	-	-	150,000	-	150,000
Legal Reserves	-	-	225,000	-	225,000
Subtotals, General Fund	**15,476**	**267,905**	**375,000**	**7,264,099**	**7,922,480**
Street Reserve Fund					
Transportation Improvements	-		710,080		710,080
Subtotals, City Street Fund	**-**	**-**	**710,080**	**-**	**710,080**
Facilities Fund					
Capital Improvements	-		2,587,922		2,587,922
Subtotals, Facilities Fund	**-**	**-**	**2,587,922**	**-**	**2,587,922**
Other Governmental Funds					
Transportation Maintenance & Operation	-	-	584,607	-	584,607
Transportation Improvements	-	3,182,681	3,427	-	3,186,108
Parks Improvements	-	982,866	625,661	-	1,608,527
Cemetery Improvements	-	-	60,943	-	60,943
Capital Equipment	-	-	786,226	-	786,226
Capital Improvements	-	3,391,502	-	-	3,391,502
Affordable Housing	-	1,584,544	-	-	1,584,544
Drug Enforcement	-	33,734	-	-	33,734
Criminal Justice	-	195,822	42,941	-	238,763
Promote Downtown Businesses	-	73,846	-	-	73,846
Promoting Tourism	-	439,596	-	-	439,596
City Beautification	91,016	12,050	-	-	103,066
Debt Service	-		9,886	-	9,886
Subtotals, Other Governmental Funds	**91,016**	**9,896,642**	**2,113,691**	**-**	**12,101,349**
Totals	**$ 106,492**	**$ 10,164,547**	**$ 5,786,692**	**$ 7,264,099**	**$23,321,831**

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

The City of Poulsbo budgets its funds in accordance with the Revised Code of Washington (RCW) 35A.34 that is on a basis consistent with accounting principles generally accepted in the United States of America. In compliance with the code, budgets for all funds are established except for the Permanent and Fiduciary funds.

The biennial budget is proposed by the Mayor and adopted by the City Council with legal budgetary control at the fund level for all funds. Expenditures and other financing used may not exceed budgeted appropriations at these levels. Only the City Council has the authority to increase a given fund's budget. This is executed by City ordinance.

In addition to authorizing the budget, the City Council approves the Capital Improvement Plan (CIP). The CIP is the document that communicates the City's plan for capital construction and purchases for a six- year period as required by the Growth Management Act of 1990 (GMA). The GMA requires the City to develop a comprehensive plan that includes land use, housing, capital facilities, utilities, public facilities, and transportation elements. By City policy, a capital project is defined as a project of a non-recurring nature with a cost not less than $50,000 and an estimated life not less than 15 years.

The CIP is updated as an initial step in the budget process. Projects are prioritized by the department. The CIP, as a whole, is then reviewed by the City Council with funding options established.

The calendar below outlines the process for preparing, reviewing, and adopting the biennial budget:

YEAR 1

APRIL – JUNE

- Council Retreat/Goal Setting
- Capital Improvement team begins the process to update Capital Improvement Plan (CIP)

JULY

- Budget Recommendations & Directions to Staff for Development

AUGUST – OCTOBER

- Department Budget Presentations to Council
- Develop Proposed Preliminary & Preliminary Budget

NOVEMBER

- Public Participation at City Council Meetings
- Public Hearings held
- Budget Workshop
- Property tax levy set

DECEMBER

- Final Budget Approval and Adoption

YEAR 2

APRIL – JUNE

- Council Retreat/Goal Status Review

- Capital Project Review

SEPTEMBER – OCTOBER

- Department Formalized Review of Budget Status
- Department Budget Update Presentation to Committees
- Develop Proposed Mid-Biennium Budget Amendment

NOVEMBER

- Public Participation at City Council Meetings
- Public Hearings held
- Property tax levy set

DECEMBER

- Mid-Biennium Budget Amendment Approval and Adoption

The final budget, as adopted, is published within the first three months of the new budget year, and distributed to various governmental agencies as well as to the local library to be available to the citizens and all interested members of the public and is published on the City's website www.poulsbo.gov.

BUDGETARY COMPLIANCE

In 2025, there were no City funds reporting actual expenditures above budgeted appropriations. Though specific line items may be exceeded, no fund's appropriations can be legally exceeded. It should be noted, however, that the "Statement of Revenues, Expenditures and Changes in Fund Balances" including the comparisons of "Budget and Actual," could be misinterpreted due to its format and, by so doing, lead one to believe that budgeted expenditures have been exceeded. The City budgets not only expenditures but also "Beginning Fund Balances" so as to maintain a budget in balance with receipts and disbursements. By increasing expenditure appropriations by the budget values for these items, no City fund has exceeded its legally established appropriation. All budgets lapse at year-end.

Encumbrance accounting is used in all City funds for budgetary control only. Encumbrances (e.g., purchase orders) lapse at year end and, if necessary, are re-appropriated in the following year.

MINIMUM FUND BALANCES

The City has formally adopted a minimum fund balance policy because it is the belief that adequate reserve levels are a necessary component of the City's overall financial management strategy and a key factor in external agencies' measurement of the City's financial strength.

General Fund
It is the policy of the City to maintain a General Fund Reserve at a level of at least equal to twelve percent (12%) of the total General Fund budgeted operating revenue, excluding the beginning fund balance and identified one-time revenue. This shall be in addition to the maintenance of two months operating cash within the General Fund itself.

These operating reserves are maintained to:

- address temporary revenue shortfalls;
- payment of approved expenditures due to cash flow shortage;
- reserves for expenditures deemed necessary by the Mayor and City Council; and
- temporary short-term interfund loans.

Annual contribution will be budgeted from General Fund resources as available to maintain the target reserve level.

Capital Reserve Funds
The City shall maintain capital reserve funds to provide funding for the six-year Capital Improvement Plan, less proprietary fund projects. The use of any funds within the Capital Improvement Funds shall be approved by the City Council.

Contributions to the capital reserve funds will be made as per the budget recommendations set by the City Council. All expenditures drawn from reserve accounts shall require prior Council super-majority approval unless previously specifically authorized by the City Council for expenditure in the annual budget.

NOTE 3: DEPOSITS AND INVESTMENTS

DEPOSITS

The City does not have a deposit policy for custodial credit risk.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The City's deposits are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

As of December 31, 2025, the bank balances that were exposed to custodial credit risks are:

Cash	
Uninsured and Uncollateralized	$ (31,137)
Uninsured and Collateral Held by Bank	6,503,306
Total Cash	**$ 6,472,169**

INVESTMENTS

The City's investments are maintained in accordance with a Council-approved policy, which has also been certified by WPTA. The City pools cash from all sources and all funds and invests its pooled idle cash according to the State of Washington's law and the City's Investment Policy approved by City Council. The basic principles underlying the City's investment philosophy are to ensure the safety of public funds, structure the portfolio to meet all expected obligations in a timely manner, and to achieve a reasonable rate of return on investments. Qualifying investments include obligations of the United States government and Treasury and Agency securities.

Investments are subject to the following risks:

Interest Rate Risk: The City may face interest rate risk should interest rate variances affect the fair value of investments. The City's Investment Policy addresses interest rate risk, and the following table illustrates how the City identifies and manages interest rate risk:

		Maturities		
Investments	**Fair Value 12/31/25**	**Less Than One Year**	**One to Three Years**	**Total**
US agency securities				
US Treasury Bills, Notes & Bonds	$ 28,792,615	$ 8,500,658	$ 20,291,958	$ 28,792,615
Federal Home Loan Bank	3,784,890	2,768,010	1,016,880	3,784,890
Federal Farm Credit Bureau	3,514,755	2,507,635	1,007,120	3,514,755
Total Investments	**$ 36,092,260**	**$ 13,776,303**	**$ 22,315,958**	**$ 36,092,260**

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's Investment Policy limits its credit risk by only seeking investments with superior credit ratings.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk but limits its exposure by only purchasing insured or registered investments, and by the control of a third-party custodian to hold the securities for safekeeping.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. In accordance with its Investment Policy, the City will diversify its investments by security type and institution. Apart from U.S. Treasury securities and authorized pools, no more than twenty-five percent of the City's total investment portfolios will be invested in a single security type or with a single financial institution.

Investments in Local Government Investment Pool (LGIP)

The City is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov

Investments measured at Fair Value

The City measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3: Unobservable inputs for an asset or liability.

At December 31, 2025, the City had the following investments measured at fair value:

		Fair Value Measurements Using		
Investments by Fair Value Level	**Total 12/31/25**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
US agency securities				
US Treasury Bills, Notes & Bonds	$ 28,792,615	$ -	$ 28,792,615	$ -
Federal Home Loan Bank	3,784,890	-	3,784,890	-
Federal Farm Credit Bureau	3,514,755	-	3,514,755	-
Total Investments	**$ 36,092,260**	**$ -**	**$ 36,092,260**	**$ -**
Investments measured at amortized cost				
Washington State Local Government Inv. Pool	$ 12,414,092			
Trust/Passbook Accounts	25,056			
Total Investments	**$ 12,439,148**			

NOTE 4: PROPERTY TAXES

The City may levy up to $3.60 per $1,000 of assessed valuation for general governmental services, however, that amount is reduced by the Kitsap County Library and Kitsap County Fire District 18 annexations. The Library District may levy up to a maximum of $.50 and Fire District 18 may levy up to a maximum of $1.50 per $1,000 of assessed valuation.

This amount may also be reduced subject to the following limitations:

- Washington State RCW 84.55.010 limits the growth of regular property taxes to one percent per year or Implicit Price Deflator (IPD), whichever is less, after adjustments for new construction and annexations, unless an increase greater than this limit is approved by the voters. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.
- The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation, or $10 per $1,000 of the market value of a property. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.

For property taxes collected in 2025, the City's levy for general governmental services was $1.03 per $1,000 on the assessed valuation of $3,201,131,560 for a total of $3,242,423.

The Kitsap County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property Tax Calendar

Jan 1	Taxes are levied and become an enforceable lien against properties
Feb 14	Tax statements are mailed
April 30	First of two equal installment payments is due
May 31	Assessed value of property is established at 100% of market value for next year’s levy
Oct 31	Second installment is due

During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for collections to be distributed by the Kitsap County Treasurer and received within 60 days. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025, is summarized below:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental-Type Activities				
Capital assets, not being depreciated:				
Land	$ 10,876,632	$ 865,362	$ (4,092)	$ 11,737,902
Intangible - Right of Way/Easements	27,043,665	42,054	-	27,085,719
Construction Work in Progress	4,654,967	11,290,026	(6,769,233)	9,175,761
Total capital assets not being depreciated	**42,575,264**	**12,197,442**	**(6,773,324)**	**47,999,382**
Capital assets, being depreciated:				
Buildings	15,721,802	2,684,225	(9,172)	18,396,856
Other Improvements	6,471,383	1,104,304	-	7,575,687
Machinery and Equipment	5,498,327	954,626	(89,063)	6,363,889
Intangible	810,396	-	-	810,396
Right-to-use lease equipment	473,443	494,775	-	968,218
Right-to-use lease office space	73,000	-	(73,000)	-
Right-to-use subscriptions	466,585	24,001	(68,653)	421,933
Infrastructure	63,734,516	1,805,898	-	65,540,414
Total capital assets being depreciated	**93,249,452**	**7,067,829**	**(239,888)**	**100,077,393**
Less accumulated depreciation for:				
Buildings	(4,981,165)	(393,599)	9,172	(5,365,593)
Other Improvements	(3,245,069)	(248,243)	-	(3,493,312)
Machinery and Equipment	(3,778,949)	(350,166)	89,063	(4,040,052)
Intangible	(765,524)	(12,664)	-	(778,188)
Right-to-use lease equipment	(132,111)	(141,666)	-	(273,777)
Right-to-use lease office space	(56,721)	(16,279)	73,000	-
Right-to-use subscriptions	(155,495)	(137,924)	68,653	(224,766)
Infrastructure	(25,160,180)	(1,911,255)	-	(27,071,434)
Total accumulated depreciation	**(38,275,214)**	**(3,211,797)**	**239,888**	**(41,247,122)**
Total capital assets, being depreciated, net	54,974,238	3,856,032	-	58,830,270
Governmental activity capital assets, net	**$ 97,549,502**	**$ 16,053,475**	**$ (6,773,324)**	**$ 106,829,652**

- The City acquired $42,054 of ROW for the North segment of the Noll Road Corridor Project and $858,441 of land for the PERC project. $125,722 of infrastructure is contributed capital for the new Liberty Landing residential development and an additional $33,484 of infrastructure was acquired as contributed capital for the new Eliason Mixed-Use Building development. $2,690,203 of infrastructure improvements cost were for the Play for All at Raab Park, Rotary Morrow Park, Waterfront Park Picnic Area, New Park Entrance Signs, Recovery Café Kitchen Improvements, Nordic Cottages and ADA Curb Ramp Improvements; all projects were completed in 2025. $2,586,004 was expended on the completed construction of two buildings (four units each) as affordable housing with a shared gazebo as part of the Nordic Cottages project and $98,221 on a gazebo at Rotary Morrow Park.
- The decrease shown in land is attributed to the termination of Department of Natural Resources land acquisition.
- $11,290,026 was spent on construction work in progress for various capital projects throughout the year. Improvements for the North and Middle segments of the Noll Road Corridor, Parks & Rec Building Repairs, 3rd Avenue (Moe to Hostmark), Public Works Complex, PERC and Oyster Plant Park projects are all still ongoing. ADA Curb Ramp Improvements, Nordic Cottages, Play for All at Raab Park and Rotary Morrow Park, started in previous years, were completed in 2025. New projects: Waterfront Picnic Area,

Park Entrance Signs, Skatepark at Raab Park phase 1 and 2 were all started & completed in 2025. Liberty Bay Waterfront Trail was closed and determined to be impaired due to construction stoppage.

- $156,197 was expended to acquire two new vehicles for the Police Department and $76,773 to acquire a dump trailer and sander for the Streets Department. $612,380 was expended on playground equipment for the Play for All & Rotary Morrow Park projects, $40,716 was added due to the completion of the final two phases of the Skatepark at Raab Park and $14,613 for the Noll Road Flashing Beacon related to photo enforcement implementation.
- The decrease in Machinery & Equipment is due to the transfer of three General Government vehicles to Utilities and the disposal of outdated information services equipment.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	$ 410,035
Security of Persons and Property	131,010
Transportation	2,048,827
Social Services	10,741
Culture and Recreation	315,313
Right-to-use lease equipment	141,666
Right-to-use lease office space	16,279
Right-to-use subscriptions	137,924
Total depreciation expense - governmental activities	**$ 3,211,797**

BUSINESS-TYPE ACTIVITIES

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Business-Type Activities				
Capital assets, not being depreciated:				
Land	$ 4,855,758	$ -	$ -	$ 4,855,758
Intangible - Right of Way/Easements	2,152,551	-	-	2,152,551
Construction Work in Progress	3,065,677	6,023,888	(7,462,529)	1,627,036
Total capital assets not being depreciated	**10,073,986**	**6,023,888**	**(7,462,529)**	**8,635,345**
Capital assets, being depreciated:				
Buildings	3,861,185	-	-	3,861,185
Other Improvements	2,048,078	113,470	-	2,161,548
Machinery and Equipment	7,270,522	230,236	-	7,500,758
Intangible	25,075,112	5,868,172	-	30,943,283
Right-to-use subscriptions	23,204	-	-	23,204
Infrastructure	84,108,986	2,649,646	(558,074)	86,200,558
Total capital assets being depreciated	**122,387,087**	**8,861,524**	**(558,074)**	**130,690,537**
Less accumulated depreciation for:				
Buildings	(831,903)	(92,734)	-	(924,637)
Other Improvements	(1,169,152)	(122,631)	-	(1,291,784)
Machinery and Equipment	(3,770,723)	(414,699)	-	(4,185,421)
Intangible	(4,946,093)	(684,276)	-	(5,630,369)
Right-to-use subscriptions	(5,485)	(6,524)	-	(12,009)
Infrastructure	(28,250,759)	(1,950,997)	412	(30,201,344)
Total accumulated depreciation	**(38,974,115)**	**(3,271,861)**	**412**	**(42,245,564)**
Total capital assets, being depreciated, net	83,412,972	5,589,663	(557,662)	88,444,973
Business-type activity capital assets, net	**$ 93,486,958**	**$ 11,613,552**	**$ (8,020,192)**	**$ 97,080,317**

- The City acquired $137,893 of infrastructure as contributed capital for the new Liberty Landing residential development, $117,552 of infrastructure was acquired as contributed capital for the new Eliason Mixed-Use Building development and $495,988 was contributed from General Government's Nordic Cottages Project. $1,481,904 of infrastructure was added this year with the completion of the Pump Station Safety and VFD projects and West Poulsbo Waterfront Park Storm Retrofit.
- The Lindvig Pump Station was rebooked due to the replacement of the original VFD. This is included as an infrastructure decrease of $557,662 and an increase of $529,779; net decrease of $27,883. The additional decrease of $412 is for a hydrant replaced with the Nordic Cottages project.
- The City incurred $6,023,888 in costs for construction in progress for various capital projects throughout the year. North segment of the Noll Road Corridor, Raab Park Water Tank, Caldart Main, 3rd Avenue (Moe to Hostmark), Public Works Complex and Big Valley Well Generator are all still in progress. Well VFD Upgrades, Lincoln Well Rehabilitation, KC Solids & Liquid Haul, SR305 Force Main, 11th Ave Sewer Installation and 8th Ave Culvert are new projects commenced in 2025 and ongoing. Safety Improvements to the Pump Stations, Lindvig Pump Station VFD, KC Lemolo Shores Pipeline Upgrade, KC Pump Station 24 and West Poulsbo Waterfront Park Storm Retrofit were completed in 2025.
- $90,385 was expended to acquire two new vehicles for the Water Department and $139,851 of equipment was added with the completion of the Pump Stations Improvement project.
- The City's share of County-operated assets is reflected in intangibles, for the Kitsap County Pump Station #24 Upgrades, SCADA System and Johnson to Norum Sewer Pipeline Projects.

Depreciation expense was charged to Business-Type Activities of the primary government as follows:

Business-type activities:		
Water	$	839,811
Sewer		1,608,966
Solid Waste		147,327
Storm Drain		669,233
Right-to-use subscriptions		
Water		2,539
Sewer		3,985
Total depreciation expense - business-type activities	**$**	**3,271,861**

NOTE 6: EMPLOYEE RETIREMENT AND PENSION PLANS

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of calculating the restricted net position related to the net pension asset, the City of Poulsbo includes the net pension asset and the related deferred outflows and deferred inflows/net pension asset and related deferred inflows.

The following table represents the aggregate pension amounts for all plans subject to the requirements of the *GASB Statement 68, Accounting and Financial Reporting for Pensions* for the year 2025:

Aggregate Pension Amounts - All Plans	
Pension liabilities	(454,020)
Pension assets	3,020,494
Deferred outflows of resources	3,993,301
Deferred inflows of resources	(952,384)
Pension expense/expenditures	(43,507)

<u>State Sponsored Pension Plans</u>

Substantially all City of Poulsbo's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of local governments; and higher education employees not participating in higher education retirement programs.

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

PERS Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6%. The **PERS 1** employer **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The **PERS Plan 2/3** employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2025 were as follows:

PERS Plan 1			
Actual Contribution Rates:		**Employer**	**Employee**
January - June 2025			
PERS Plan 1		6.36%	6.00%
PERS Plan 1 UAAL		2.55%	
Administrative Fee		0.20%	
	Total	**9.11%**	**6.00%**
July - December 2025			
PERS Plan 1		5.38%	6.00%
Administrative Fee		0.20%	
	Total	**5.58%**	**6.00%**

The PERS Plan 2/3 defined benefit required contribution rates (expressed as a percentage of covered payroll) for 2025 were as follows:

PERS Plan 2/3				
Actual Contribution Rates:		**Employer 2/3**	**Employee 2**	**Employee 3**
January - June 2025				
PERS Plan 2/3		6.36%	6.36%	Varies: 5%-15%
PERS Plan 1 UAAL		2.55%		
Administrative Fee		0.20%		
	Total	**9.11%**	**6.36%**	
July - December 2025				
PERS Plan 2/3		5.38%	5.38%	Varies: 5%-15%
Administrative Fee		0.20%		
	Total	**5.58%**	**5.38%**	

Judicial Benefit Multiplier (JBM) Program: The JBM Program provides judicial members of the Public Employees' Retirement System (PERS) with an increased retirement benefit multiplier. It also requires employees to pay a higher contribution rate.

Plan	JBM Employee Contribution Rate
PERS 1	12.26%
PERS 2	15.90%
PERS 3	7.50%

The City of Poulsbo's actual PERS plan contributions were $118,039 to PERS Plan 1 and $521,446 to PERS Plan 2/3 for the year ended December 31, 2025.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)
LEOFF was established in 1970, and its retirement benefit provisions are contained in Chapter 41.26 RCW. LEOFF membership includes local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians.

LEOFF is a cost-sharing, multiple-employer retirement system composed of two separate pension plans for both membership and accounting purposes. Both LEOFF plans are defined benefit plans.

LEOFF Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest-paid consecutive 24 months within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include a COLA. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute 0%, as long as the plan remains fully funded. The LEOFF Plan I is fully funded and had no required employer or employee contributions for fiscal year 2025. Employers paid only the administrative expense of 0.20% of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the FAS per year of service (the FAS is based on the highest-paid consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50 – 52, the reduction is 3% for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include a COLA (based on the CPI), capped at 3% annually. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The rates are adopted by the LEOFF Plan 2 Retirement Board and are subject to change by the Legislature.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2025.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2025 were as follows:

LEOFF Plan 2			
Actual Contribution Rates:		**Employer**	**Employee**
January - December 2025			
State and local governments		5.12%	8.53%
Administrative Fee		0.20%	
	Total	**5.32%**	**8.53%**
Ports and Universities		8.53%	8.53%
Administrative Fee		0.20%	
	Total	**8.73%**	**8.53%**

The employee contribution rate was 8.53%.

The City of Poulsbo's actual contributions to the plan were $154,151 for the year ended December 31, 2025.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Office of the State Actuary and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2025, the state contributed $106,578,576 to LEOFF Plan 2. The amount recognized by the City of Poulsbo as its proportionate share of this amount is $1,056,877.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined by an actuarial valuation completed as of June 30, 2024, with the results rolled forward to June 30, 2025. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2013-2018 Demographic Experience Study and the 2023 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2024 actuarial valuation report.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increase.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Change in Assumptions and Methods: OSA improved their modeling of benefits paid to retirees and beneficiaries in their month of death to better match current administrations.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025. The inflation component used to create the table is 2.5% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate
Fixed Income	19%	2.10%
Tangible Assets	8%	4.50%
Real Estate	18%	4.80%
Global Equity	30%	5.60%
Private Equity	25%	8.60%
	100%	

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% was used to determine the total liability.

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City of Poulsbo's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the City of Poulsbo's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
PERS 1	$ 766,113	$ 454,020	$ 180,306
PERS 2/3	3,086,821	(1,902,211)	(5,999,599)
LEOFF 1	(54,942)	(61,406)	(67,043)
LEOFF 2	$ 794,864	$ (1,056,877)	(2,571,545)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2025, the City of Poulsbo reported its proportionate share of the net pension liabilities as follows:

	Liability or (Asset)
PERS 1	$ 454,020
PERS 2/3	(1,902,211)
LEOFF 1	(61,406)
LEOFF 2	$ (1,056,877)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the City of Poulsbo. The amount recognized by the City of Poulsbo as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the City of Poulsbo were as follows:

		LEOFF I Asset		LEOFF II Asset
Employer's proportionate share	$	(61,406)	$	(1,056,877)
State's proportionate share of the net pension asset associated with the employer		(415,350)		(678,332)
TOTAL	$	(476,756)	$	(1,735,209)

At June 30, the City of Poulsbo's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/24	Proportionate Share 6/30/25	Change in Proportion
PERS 1	0.037920%	0.038509%	0.000589%
PERS 2/3	0.049104%	0.049846%	0.000742%
LEOFF 1	0.001883%	0.001938%	0.000055%
LEOFF 2	0.053690%	0.054548%	0.000858%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2025 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Non-employer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2025. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12% of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88% of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2025, the state of Washington contributed 39% of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61% of employer contributions.

Pension Expense

For the year ended December 31, 2025, the City of Poulsbo recognized pension expense as follows:

		Pension Expense
PERS 1	$	(30,126)
PERS 2/3		(100,121)
LEOFF 1		(8,710)
LEOFF 2		95,451
TOTAL	**$**	**(43,507)**

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2025, the City of Poulsbo reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	-	(31,212)
Contributions subsequent to the measurement date	9,300	-
TOTAL	**$ 9,300**	**$ (31,212)**

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,390,783	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(428,363)
Changes of assumptions	735,133	(52,527)
Changes in proportion and differences between contributions and proportionate share of contributions	111,622	(82,063)
Contributions subsequent to the measurement date	250,239	-
TOTAL	**$ 2,487,778**	**$ (562,954)**

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	-	(1,170)
TOTAL	**$ -**	**$ (1,170)**

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 920,045	$ (4,784)
Net difference between projected and actual investment earnings on pension plan investments	-	(150,499)
Changes of assumptions	374,641	(64,259)
Changes in proportion and differences between contributions and proportionate share of contributions	126,760	(137,506)
Contributions subsequent to the measurement date	74,777	-
TOTAL	**$ 1,496,223**	**$ (357,048)**

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,310,829	$ (4,784)
Net difference between projected and actual investment earnings on pension plan investments	-	(611,244)
Changes of assumptions	1,109,774	(116,787)
Changes in proportion and differences between contributions and proportionate share of contributions	238,382	(219,569)
Contributions subsequent to the measurement date	334,316	-
TOTAL	**$ 3,993,301**	**$ (952,384)**

Deferred outflows of resources related to pensions resulting from the City of Poulsbo's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31		PERS 1
2026	$	29,783
2027		(21,696)
2028		(22,531)
2029		(16,768)
TOTAL	**$**	**(31,212)**

Year ended December 31		PERS 2/3
2026	$	665,417
2027		262,770
2028		266,842
2029		111,219
2030		258,441
Thereafter		109,896
TOTAL	**$**	**1,674,585**

Year ended December 31		LEOFF 1
2026	$	1,167
2027		(821)
2028		(868)
2029		(647)
TOTAL	**$**	**(1,170)**

Year ended December 31		LEOFF 2
2026	$	232,972
2027		79,951
2028		88,996
2029		115,871
2030		171,409
Thereafter		375,199
TOTAL	**$**	**1,064,398**

NOTE 7: RISK MANAGEMENT

The City of Poulsbo is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 168 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are $4 million per occurrence in the self-insured layer, and $16 million in limits above the self-insured layer is provided by reinsurance. Total limits are $20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually. The City had no settlements exceeding coverage for the last three fiscal years.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to $1 million and subject to member deductibles, sublimits, and a $5 million pool aggregate. Premises pollution liability provides Members with a $2 million incident limit and $10 million pool aggregate subject to a $100,000 per incident Member deductible.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to $1,000,000, for all perils other than flood and earthquake, and insured above that to $400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to $250,000 and insured above that to $100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

NOTE 8: LEASES

For the year ended 12/31/2025, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

Leases Receivable:

As of 12/31/2025, City of Poulsbo, WA had 6 active leases. The leases have receipts that range from $5,830 to $24,052 and interest rates that range from 0.5517% to 1.7393%. As of 12/31/2025, the total combined value of the lease receivable is $1,114,405, and the combined value of the deferred inflow of resources is $1,100,982. The leases had $0 of Variable Receipts and $0 of Other Receipts, not included in the Lease Receivable, within the Fiscal Year.

Lessor/Receivables: Business-Type Activities			
	Principal	**Interest**	**Total**
2026	47,560	16,605	64,165
2027	49,224	15,875	65,099
2028	50,948	15,122	66,069
2029	52,735	14,344	67,079
2030	54,587	13,541	68,129
2031-2035	237,644	55,137	292,781
2036-2040	164,890	39,280	204,170
2041-2045	179,737	24,433	204,170
2046-2050	171,870	8,249	180,118
Total	**$1,009,193**	**$202,587**	**$1,211,780**

Lessor/Receivables: Governmental Activities			
	Principal	**Interest**	**Total**
2026	15,382	4,507	19,889
2027	8,237	4,115	12,352
2028	8,639	3,712	12,352
2029	9,062	3,290	12,352
2030	9,504	2,847	12,352
2031-2035	54,385	6,801	61,186
Total	**$105,210**	**$25,273**	**$130,482**

Leases Payable:

As of 12/31/2025, City of Poulsbo, WA had 14 active leases. The leases have payments that range from $1,822 to $51,000 and interest rates that range from 0.2383% to 3.6510%. As of 12/31/2025, the total combined value of the lease liability is $697,586. The combined value of the right to use asset, as of 12/31/2025 of $968,218 with accumulated amortization of $273,777 is included within the Lease Class activities table found below. The leases had $0 of Variable Payments and $0 of Other Payments, not included in the Lease Liability, within the Fiscal Year.

	Beg Bal	Increases	Decreases	End Bal
Right-to-use lease equipment	473,443	494,775		968,218
Right-to-use lease office space	73,000		73,000	0
Total	**$546,443**	**$494,775**	**$73,000**	**$968,218**
Accum Amort Right-to-use lease equipment	132,110	141,667		273,777
Accum Amort Right-to-use lease office space	56,720	16,280	73,000	0
Total	**$188,830**	**$157,947**	**$73,000**	**$273,777**

As of December 31, 2025 - Lease Principal and Interest Requirements to Maturity

	Principal Payments	Interest Payments	Total Payments
2026	191,008	15,417	206,425
2027	153,361	10,963	164,324
2028	151,814	7,125	158,939
2029	144,193	3,307	147,500
2030	57,210	540	57,750
Total:	**$697,586**	**$37,352**	**$734,938**

NOTE 9: Subscription Based Internet Technology Agreements

Subscriptions Payable:

For the year ended 12/31/2025, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

As of 12/31/2025, Poulsbo, WA had 18 active subscriptions. The subscriptions have payments that range from $995 to $84,314 and interest rates that range from 1.7100% to 3.2950%. As of 12/31/2025, the total combined value of the subscription liability is $200,608. The combined value of the right to use asset, as of 12/31/2025 of $445,137 with accumulated amortization of $236,775 is included within the Subscription Class activities table found below. The subscriptions had $0 of Variable Payments and $0 of Other Payments, not included in the Subscription Liability, within the Fiscal Year.

	Beg Bal	Increases	Decreases	End Bal
Right-to-use subscriptions	489,788	24,001	68,652	445,137
Accum Amort Right-to-use subscriptions	160,981	144,447	68,652	236,776
Net Subscription Asset	**$328,807**	**-$120,446**	**$0**	**$208,361**

Includes Business-Type and Governmental Activities

As of December 31, 2025, the principal and interest requirements to maturity are as follows:

Business-Type Activities

	Principal Payments	Interest Payments	Total Payments
2026	6004	271	6,275
2027	5,159	121	5,280
Total:	**$11,163**	**$392**	**$11,555**

Governmental Activities

	Principal Payments	Interest Payments	Total Payments
2026	132,896	4,358	137,254
2027	51,672	833	52,505
2028	4,878	83	4,961
Total:	**$189,446**	**$5,274**	**$194,720**

NOTE 10: LONG-TERM DEBT

The City issues general obligation and revenue bonds to finance the purchase of capital assets and the construction of infrastructure. Bonded indebtedness has also been entered into (currently and in prior years) to advance refund several general obligation and revenue bonds. General obligation bonds have been issued for general government and are being repaid from the applicable resources. The revenue bonds are being repaid by proprietary fund revenues. The City is also liable for state loans that were entered into for the construction of street infrastructure. These loans are considered obligations of the general government and are being repaid with general governmental revenue sources. The City currently has zero lines of credit utilized or available for use, and there are no assets pledged as collateral for any issued debt.

BONDS

General Obligation Bonds are a direct obligation of the City for which its full faith and credit are pledged. Debt service is paid from the Debt Service Funds and Proprietary funds as appropriate. Debt service for voter-approved issues is funded by special property tax levies. Debt service for non-voted issues is funded from the regular property taxes.

The City of Poulsbo did not issue any new General Obligation debt in 2025.

As of December 31, 2025, the governmental long-term debt of the City consisted of the following:

Issuance Date	Purpose	Original Issue	Interest Rates	Maturity Date	Debt Outstanding
2015	2015 GO Debt: Refunded 2005 GO Bond and callable portion of the 2009 GO Bond	7,320,000	2-4%	2033	2,620,000
2022	LOCAL Program GO Bonds: Issued to provide funds to purchase Fleet Vehicles	520,000	3-5%	2026	132,313
2021	2021 GO Debt: Refunded 2012 GO Bond, Issued to provide funds for Noll Road and the Public Works Property	4,111,701	1-2.2%	2040	2,941,172
				Total	**$ 5,693,486**

Revenue Bonds are payable from revenues generated by the Water/Sewer Enterprise Fund. A reserve of cash to meet obligations is a requirement of the issued debt. The 2018 Revenue Bond does have a 10- year call provision that is not anticipated to be exercised.

As of December 31, 2025, the long-term debt payable from proprietary fund resources consisted of the following:

Issuance Date	Purpose	Original Issue	Interest Rates	Maturity Date	Debt Outstanding
2018	City's share of Kitsap County wastewater treatment facilities improvements	$ 6,970,000	3-5%	2038	$ 5,070,000
2021	2021 GO Debt: Refunded 2012 GO Bond, Issued to provide funds for Noll Road and the Public Works Property	2,179,374	1-2.2%	2040	1,709,938
				Total	**$ 6,779,938**

PUBLIC WORKS BOARD CONSTRUCTION FUNDING LOAN

State of Washington Public Works Board Loans are intergovernmental loans from the Public Works Assistance Account to undertake local public works projects. These loans are a direct responsibility of the City. In November of 2025, the City signed an agreement for a $10,000,000 loan for the City's share of the Central Kitsap Treatment Plant's Digester Upgrade Project. This loan is for a term of 20-years with a 2.12% interest rate. Proceeds from Public Works Board Construction Loans are received for expenditures of a qualifying project on a reimbursement basis. As of December 31, 2025, the City has not been billed for its share of any work completed. The City of Poulsbo has not submitted any requests for reimbursement or received any loan proceeds from the Public Works Board Assistance Account.

DEBT SERVICE REQUIREMENTS TO MATURITY FOR PRIMARY GOVERNMENT

The debt service requirements for the City of Poulsbo's bonds, loans, pension-related liability, and notes are as follows:

	General Obligation Bonds Governmental Activities			Revenue Bonds and General Obligaion Bonds Business-Type Activities		
Year Ended Dec 31	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2026	665,457	161,619	827,076	401,241	241,145	642,386
2027	542,634	142,196	684,829	412,556	227,829	640,385
2028	557,072	126,929	684,001	428,993	213,993	642,986
2029	576,702	110,897	687,600	445,573	199,413	644,985
2030	596,517	93,913	690,429	462,293	180,692	642,985
2031-3035	1,942,033	216,553	2,158,586	2,590,832	629,348	3,220,181
2036-2040	813,070	51,813	864,883	2,038,450	154,329	2,192,779
Total	**$ 5,693,485**	**$ 903,920**	**$ 6,597,405**	**$ 6,779,938**	**$ 1,846,749**	**$ 8,626,687**

ARBITRAGE REBATE

Rebatable arbitrage is defined by the Internal Revenue Service Code Section 148 as earnings on investments purchased from the gross proceeds of a bond issue in excess of the amount which would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government. The City of Poulsbo monitors its investments to restrict earnings to a yield less than the bond issue and therefore limit any arbitrage liability. As of December 31, 2025, the City has no arbitrage rebate liability.

LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2025 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	$ 6,673,243	$ -	$ 979,758	$ 5,693,485	$ 665,457
Plus Unamortized Bond Premium	378,928	-	46,746	332,182	46,746
Net Pension Liability	501,870	344,979	501,869	344,980	-
Total OPEB Liability	1,025,559	970,244	1,025,559	970,244	60,211
Compensated Absences	1,178,401	929,534	1,200,098	907,837	259,096
Leases	360,310	494,776	157,500	697,586	191,008
Subscription-Based Technology Agreements	290,499	24,002	125,055	189,446	132,896
Total Governmental activity long-term liabilities	**10,408,810**	**2,763,535**	**4,036,585**	**9,135,759**	**1,355,414**
Business-type Activities					
Bonds payable:					
Revenue Bonds	5,360,000	-	290,000	5,070,000	300,000
General obligation bonds	1,809,988	-	100,050	1,709,938	101,241
Less Unamortized Bond Discount	(19,326)	-	(1,380)	(17,945)	(1,380)
Plus Unamortized Bond Premium	422,212	-	30,158	392,054	30,158
Net Pension Liability	171,908	109,041	171,908	109,041	-
Compensated Absences	329,797	139,669	246,677	222,789	57,690
Subscription-Based Technology Agreements	17,021	-	5,858	11,162	6,004
Total Business-type activity long-term liabilities	**$ 8,091,601**	**$ 248,710**	**$ 843,271**	**$ 7,497,039**	**$ 493,713**

NOTE 11: CONTINGENCIES AND LITIGATIONS

GRANTS

The City participates in several federal- and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

LITIGATION

In the opinion of management, the City's insurance policies are adequate to pay all known or pending claims, suits and other actions in which payment is considered probable (see Note No. 7 – Risk Management). Currently, there are no judgments against the City, and the City has no material contingent liabilities for which it does not also have insurance coverage. As a result, the City has no recorded contingent liabilities because management believes it is not probable payment will be required.

The City is aware of one incident received in 2025 that is still outstanding as it has not yet been filed as a claim. However, it is anticipated that if a claim is filed related to the incident, it will be covered by the City's insurance (WCIA) and will not have an adverse outcome on the City's financial statements.

CONTRACTUAL COMMITMENTS

As of December 31, 2025, the City had 8 significant contractual obligations with the following balances:

Project	Vendor	Amount
Noll Road North & Middle Improvements - Construction	SCI Infrastructure LLC	$ 2,785,412
3rd Avenue Improvements - Design	Perteet Engineering	733,609
Bond Road & SR305 Force Main - Design	BHC Consultants LLC	460,248
Noll Road Project (all elements)	Parametrix Inc	427,175
Noll Road North & Middle Construction Management	Parametrix Inc	398,014
Poulso Event & Recreation Center (PERC) Design & Development	ABHL	261,068
8th Ave Culvert Replacement - Design & Permitting	Skilling Inc	139,814
Lincoln Well No. 2 Rehabilitation	Geosyntec Consultants Inc	89,552
		$ 5,294,892

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NOTE 12: JOINT VENTURES

SEWER TREATMENT PLANT

The City has an agreement with Kitsap County to provide use of the sewer treatment plant. The plant was jointly built in 1977 to offer sufficient capacity for both the County and the City. The plant is owned and operated by the County but provides the City ownership guaranteeing the City flow capacity. The agreement requires the City to pay its share of the costs to operate the plant and any necessary capital improvements.

The financials for Kitsap County are available at www.kitsapgov.com or by contacting the Kitsap County Auditor's Office at 614 Division Street, Port Orchard, Washington 98366 (360) 337-7129.

POULSBO EVENT AND RECREATION CENTER (PERC)

The Poulsbo Events and Recreation Center (PERC) is a collaboration between the City of Poulsbo, the Kitsap Public Facilities District (KPFD), and the community to create a new public facility in Poulsbo for outdoor recreation and events. The City has entered into an ILA with KPFD for the purpose of design and construction of the first phase of the project, which consists of two tournament fields and outdoor recreation elements (walking circuit, sports courts, playground, parking, landscaping) and a facility to include restrooms and concessions. The City is required to bid and award the phase 1 construction contract by March 31, 2026. The PERC will be financed through a LTGO Bond issued in February 2026. The KPFD will submit annual debt service payments to the City. Per the ILA, the KPFD's share of the project cost is $9.91 million of the total $15.6 million cost.

The financials for the Kitsap Public Facilities District (KPFD) are available at https://www.kitsap-pfd.org/ or by contacting the KPFD office at 19980 10th Ave NE, Suite 204F Poulsbo, WA 98370 (360) 698- 1885.

NORDIC COTTAGES

The City of Poulsbo entered an interlocal agreement with the Kitsap County Consolidated Housing Authority (KCCHA) to manage Nordic Cottages, a City-led affordable housing project. Nordic Cottages provides an affordable housing option for senior citizens and adults with disabilities.

Construction of the Cottages was completed in 2025. Funding for the Nordic Cottage project will be through a debt issue. Debt payments will be funded from the City Council approved 0.01% sales tax increase. Upon completion, the KCCHA took over management of the facility. The collected rent and the 0.01% sales tax for Affordable Housing will fund the continued maintenance and future debt obligations.

The City received grant funding for a share of the construction of the Cottages from the following sources:

- Department of Commerce (DOC)
  - Connecting Housing to Infrastructure (CHIP) Program in the amount of $144,535, which was fully expended in 2024.
  - Pass-through ARPA and SLFRF funds via the CHIP program in the amount of $313,618, of which $276,501 was expended in 2024 and the remaining $37,117 was expended in 2025.
  - Local Community Projects Program in the amount of $399,640, which was fully expended in 2025.
- Kitsap County Department of Human Services Block Grant Program pass-through HOME funds via US Department of Housing & Urban Development (HUD) in the amount of $400,000, all expended in 2025.

NOTE 13: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM (LEOFF)

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of the GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* for the year 2025:

Aggregate OPEB Amounts - All Plans		
OPEB Liabilities	$	970,244
Deferred Outflow of resources		11,556
OPEB Expense / Expenditures	$	28,653

Plan Description. The City of Poulsbo administers a single employer defined benefit healthcare plan. It is a closed plan that provides post-retirement health care benefits, in accordance with State statute to all LEOFF 1 *retirees*. As of December 31, 2025, there are 2, LEOFF 1 retirees covered by the benefit terms. There are no active employees receiving benefits covered under this plan. This plan was closed to new entrants on October 1, 1977.

Benefits Provided. The City reimburses one hundred percent of the amount of validated claims for medical and hospitalization costs incurred by retirees. State statute provides that the City's responsibility for medical payments of LEOFF 1 retirees is secondary to any other coverage retirees receive or are eligible to receive. Therefore, upon reaching the eligible age for Medicare, the City requires the retirees to pay for and utilize Medicare Part B coverage.

Employees Covered by Benefit Terms. At December 31, 2025, the following employees were covered by the benefit terms:

Inactive employee or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	0
Active employees	0
Total	2

Funding Policy. Employer contributions are financed on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. Expenditures for post-retirement health care benefits are recognized as retirees report claims. During the year, expenditures of $28,653 were recognized for post-retirement health care.

Total OPEB Liability. The City has elected to calculate the total OPEB liability using the alternative measurement method permitted by GASB Statement 75 for employers with plans that have fewer than one hundred total plan members. The City's total OPEB liability of $970,244 was measured as of June 30, 2025, and was determined using the entry age valuation method on that date.

Valuation assumptions and other inputs. The total OPEB liability in the June 30, 2025, valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified. Unless noted otherwise, assumptions and inputs are consistent with the 2024 LEOFF 1 Medical Benefits Actuarial Valuation Report published by the Washington State Actuary's Office:

Inflation :	3.93%
Discount Rate:	5.20%
Healthcare cost trend rates:	Initial medical costs rate is approximately 4. 5 %, and varies by year. Long-term care is 4.75%. Medicare Part B premiums is approximately 5.0%, and varies by year.

A 4.5% general inflation rate was used based on the CPI for Urban Wage Earners and Clerical Workers, Seattle-Tacoma-Bellevue, WA - All Items.

The discount rate is based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the RP-2000 Mortality Table for males with adjustments for mortality improvements based on Scale BB.

Sensitivity of the Total OPEB Liability

Healthcare Cost Trend Rate. The following presents the total OPEB liability of the City of Poulsbo calculated using the current healthcare cost trend rate of 4.5 percent, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 -percentage point lower (3.5%) or 1-percentage point higher (5.5%) than the current rate.

	1% Decrease (3.5%)	Current healthcare Cost Trend Rate (4.5%)	1% Increase (5.5%)
Total OPEB Liability	$896,757	$970,244	$1,052,423

Discount Rate. The following presents the total OPEB liability of the City of Poulsbo calculated using the current discount rate of 5.2 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.2%) or 1-percentage point higher (6.2%) than the current rate.

	1% Decrease (4.2%)	Current healthcare Cost Trend Rate (5.2%)	1% Increase (6.2%)
Total OPEB Liability	$1,057,200	$970,244	$894,072

Changes in experience data and assumptions reflect a change in the discount rate from 3.93 percent in 2024 to 5.20 percent in 2025.

Change in the Total OPEB Liability	
Balance at 6/30/2024	$ 1,025,559
Changes for the year:	
Interest Cost	39,254
Changes in Experience Data and Assumptions	(40,567)
Estimated Benefit Payments	(54,002)
Net changes	(55,315)
Balance at 6/30/2025	$ 970,244

Deferred outflows of resources of $11,556 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2026.

At December 31, 2025 the City of Poulsbo reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Payments subsequent to the measurement date	$ 11,556	$ -
TOTAL*	$ 11,556	$ -

NOTE 14: RECONCILIATION OF NET INVESTMENT IN CAPITAL ASSETS

Governmental Activities:		***Business-Type Activities:***	
Capital Assets, Net of Depreciation	$ 106,829,652	Capital Assets, Net of Depreciation	$ 97,080,317
General Obligation Bonds Payable	(6,580,517)	Revenue Bonds Payable	(6,791,101)
Unamortized premium on Bonds	(332,182)	Unamortized premium on Bonds	(392,054)
Deferred Outflows - Loss on Refunding	269,302	Unamortized discount on Bonds	17,945
Payables	(275,214)	Payables	(251,878)
Net Investment in Capital Assets	**$ 99,911,041**	***Net Investment in Capital Assets***	**$ 89,663,231**

NOTE 15: SUBSEQUENT EVENTS

Ordinance No. 2023-16 became effective in November 2023, allowing the City to install Automated Traffic Safety Cameras through the authorization of RCW 46.63.170. A speed report analysis identified three locations in City limits: speed cameras at Noll Rd fronting Poulsbo Elementary School and on Viking Ave at Stendahl Ct., and a red-light camera at the traffic signals on SR305 at Bond Rd. The speed cameras began measuring speeds in late 2024 with the first citation issued on October 22, 2024, and the traffic signal camera on SR305 was turned on in late 2025 with the first citation issued on November 20, 2025. 2026 will be the first full year of fine collection for all three cameras.

Ordinance No. 2025-15 became effective in August 2025, updating the City's parking regulations and paving the way for parking enforcement in downtown Poulsbo. The City contracted with LAZ Parking to begin enforcing timed parking downtown starting December 1, 2025, with collection of fines in 2026. The new system was designed to improve access to downtown businesses, ensure parking turnover for visitors, and support the vitality of Poulsbo's historic district.

Former City Council Member and now City Mayor, Ed Stern, was elected in November 2025. Along with adding a City Administrator in 2025, the Mayor's position was reduced to part-time in 2026 after the mayoral election.

On February 19, 2026, the City of Poulsbo issued $20,600,000 in Long-Term General Obligation Bonds. The bond proceeds will be used to fund capital projects including Noll Road improvements, Nordic Cottages, and the Poulsbo Events and Recreation Center. Included in this issue is refunding of the 2015 Long-Term General Obligation Bond for $2,620,000. The Poulsbo City Council has passed a reimbursement resolution allowing reimbursement of the Nordic Cottage and Noll Road projects.

NOTE 16: ASSET RETIREMENT OBLIGATIONS

The City has seven water wells. Under state law, water wells are required to be decommissioned upon their abandonment. Presently, all wells are maintained in good condition through repairs and rehabilitation. The Department of Ecology has not required any decommission during the annual permit process. There is no plan to shut down or decommission the City's existing wells in the foreseeable future, so the City has no asset retirement obligations as of December 31, 2025.

NOTE 17: UNUSUAL OR INFREQUENT ITEMS

The City tracked several years of design costs for a Waterfront Trail primarily funded by federal grants. It determined the cost of construction was too great to continue with the project, and work beyond design expenses of $311,617.65 was never initiated. As capital, the correct treatment was to view project cessation as impairment due to construction stoppage. Using the Asset Impairment Decision Process, the City determined the magnitude of the event was significant, the decline in the service utility was unexpected, and therefore the asset was impaired. Since the City will not continue to use the asset, it has been reported as an Unusual or Infrequent Loss in 2025 according to the book value of the actual expenditures.

NOTE 18: EARLY IMPLEMENTATION OF ACCOUNTING STANDARDS

For the fiscal year ended December 31, 2025, the City elected to early implement Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. This Statement improves the financial reporting model by enhancing the effectiveness of the model in providing information which is essential for decision-making and assessing accountability.

Key changes adopted in this implementation include:

- **Management's Discussion and Analysis (MD&A):** Updated to focus on specific analyses of financial results, eliminating boilerplate language, and focusing on significant capital asset and long-term financing activities.
- **Proprietary Funds:** The statement of revenues, expenses, and changes in fund net position now separately identifies noncapital subsidies and redefines nonoperating revenues/expenses.
- **Unusual or Infrequent Items:** Replaced special and extraordinary items with a new category for items that are unusual in nature or infrequent in occurrence, with gross inflows and outflows reported.
- **Budgetary Comparison:** Presented as Required Supplementary Information (RSI) with additional columns for original to final budget variances and notes explaining significant variances.

Impact of Adoption

As a result of adopting GASB 103, the City reclassified $35,303 of operating grants which were previously reported as Nonoperating Revenues to Noncapital Subsidies on the Statement of Revenues, Expenses, and Changes in Net Position. Additionally, an Unusual or Infrequent Item was presented separately prior to the net change in resource flows on the government-wide Statement of Activities, and listed separately in the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budgeted Amounts				
	Original Budget	**Final Budget**	**Variance over (under) Final Budget**	**Actual**	**Variance with Final Budget over (under) Actual Amounts**
Revenues					
Taxes					
Property Taxes	$ 3,126,037	$ 3,226,037	$ (100,000)	$ 3,227,532	$ 1,495
Sales Taxes	5,600,000	5,600,000	-	5,814,582	214,582
Utility/Business Taxes	3,872,187	4,072,187	(200,000)	4,952,961	880,774
Criminal Justice Taxes	270,000	270,000	-	309,885	39,885
Other Taxes	75,000	75,000	-	90,950	15,950
Licenses and Permits	838,185	858,185	(20,000)	987,267	129,082
Intergovernmental	1,434,653	1,186,626	248,027	744,141	(442,485)
Charges for Services	1,228,125	1,279,225	(51,100)	1,562,843	283,618
Fines and Forfeitures	210,250	719,250	(509,000)	718,684	(566)
Interest and Other Earnings	495,000	495,000	-	970,963	475,963
Miscellaneous	33,150	85,339	(52,189)	139,072	53,733
Total Revenues	**17,182,587**	**17,866,849**	**(684,262)**	**19,518,880**	**1,652,031**
Expenditures					
Current:					
General Government	5,735,248	5,795,104	(59,856)	5,118,268	(676,836)
Security of Persons & Property	5,447,980	5,776,118	(328,138)	5,488,045	(288,073)
Utilities & Environment	54,369	54,369	-	36,466	(17,903)
Transportation	1,505,882	1,033,498	472,384	728,189	(305,309)
Economic Environment	1,312,853	1,411,220	(98,367)	1,302,679	(108,541)
Mental & Physical Health	725,432	911,384	(185,952)	791,333	(120,051)
Culture & Recreation	1,995,811	2,042,510	(46,699)	1,928,540	(113,970)
Debt Service:					
Principal	-	-	-	282,554	282,554
Interest/Debt Service Costs	-	-	-	20,355	20,355
Total Expenditures	**16,777,575**	**17,024,203**	**(246,628)**	**15,696,427**	**(1,327,776)**
Excess (deficiency) of Revenues over Expenditures	405,012	842,646	(437,634)	3,822,452	2,979,806
Other Financing Sources (Uses)					
Transfers In	48,600	-	48,600	-	-
Transfers Out	(2,586,958)	(6,106,958)	3,520,000	(6,124,453)	(17,495)
Leases Issued	58,200	46,200	12,000	90,605	44,405
Sale of General Capital Assets	-	-	-	30	30
Insurance Recoveries	-	34,497	(34,497)	22,639	(11,858)
Total Other Financing Sources (Uses)	**(2,480,158)**	**(6,026,261)**	**3,546,103**	**(6,011,179)**	**15,082**
Net Change in Fund Balance	(2,075,146)	(5,183,615)	3,108,469	(2,188,727)	2,994,888
Fund Balance - Beginning of Year	6,475,746	10,100,871	(3,625,125)	10,111,207	10,336
Fund Balance - End of Year	**$ 4,400,600**	**$ 4,917,256**	**$ (516,656)**	**$ 7,922,480**	**$ 3,005,224**

City of Poulsbo

Required Supplementary Information

Note to Budgetary Comparison Schedules

General Fund Budgetary Comparisons

1. **Budgetary Basis of Accounting**

Biennial budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. The Special Revenue funds are budgeted on a biennial budget based on specific revenue sources from taxes, fees and grants. Capital Project Fund budgets are appropriated on a project-length basis.

The appropriated budget is prepared at the fund level. Fund transfers are budgeted during the biennial budget process for necessary appropriations between funds for capital purposes. Transfers outside of the biennial budget process require approval from the Poulsbo City Council through a budget amendment.

The biennial budget is evaluated for Council Approved amendments at the end of the first year of the biennium. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (e.g., purchase orders and contracts). Encumbrance accounting is utilized to the extent of monitoring contracts to stay within approved amounts. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated through the budgetary process and become part of the subsequent year's budget pursuant to state regulations, and the encumbrances are carried forward until the approved period has lapsed.

2. **General Fund Budgetary Highlights**

Original budget compared to final budget. 2025 completed the first year of the 2025-2026 Biennial Budget. In December 2025, the Poulsbo City Council passed the Mid-Biennium Budget Adjustment. Budget amendments approved through 2025 increased revenue projections by $684 thousand and increase expenditures by $247 thousand.

Increase to revenues included:

- Increase in tax estimates for property tax from the Assessor's office.
- Increase in B&O tax estimates to reflect a higher collection trend.
- Decrease in Intergovernmental for grants being moved to a Special Revenue fund for the planning of a paths and trails program.
- Increase in Fines and Forfeitures to reflect the revenue growth due to traffic cameras being fully implemented and emphasis on parking enforcement.

Increase to expenditure projections included:

- Adjustment to wages and benefits for new positions hired in 2026 inclusive of a new police officer and a part-time Emergency Manager.
- Additional grant funds providing funds for Mental & Physical Health to grow the City's

operations supporting mental health and homeless population.

- Decrease in transportation expenses due to a grant being accounted in a Special Revenue fund for parks and trails planning.

The General Fund reported a net decrease in fund balance of $2,994,888 for the year, compared with a final budget decrease of $5,183,615. The ending fund balance is $7,922,480, compared with a beginning fund balance of $10,111,207.

Final budget compared to actual results. The most significant differences between estimated revenues and actual revenues were as follows:

Revenue source	Estimated revenues	Actual revenues	Difference
Property Tax	3,226,037	3,227,532	1,495
Sales Tax	5,600,000	5,814,582	214,582
B&O, Franchise and Utility Taxes	4,072,187	4,952,961	880,774
Intergovernmental	1,186,626	744,141	(442,485)
Charges for services	1,279,225	1,562,843	283,618
Fines and forfeitures	719,250	718,684	(566)
Investment earnings	495,000	970,963	475,963

The main shortfalls in the above revenue sources were in the intergovernmental category. Intergovernmental revenues were lower than anticipated because several grants and program funds were received on a reimbursement basis. Under this funding structure, the City must incur eligible expenditures before requesting reimbursement, which can delay the timing of revenue recognition. As a result, revenues recorded during the fiscal period did not fully reflect the total award amounts available, contributing to the variance from the budget.

Revenues showing an increase over budget include taxes including business taxes. As 2025 was the first full year of B&O tax the estimates were conservative, and actual collections were much higher than anticipated. Charges for Services includes park and recreation fees as well as development revenues. These also were higher than projection due to growing number programs offered and the continuing strong construction industry occurring in Poulsbo. Investment earnings are conservatively estimated with change in market having an impact. The City utilizes an investment advisor to assist the City maintain a growing portfolio to withstand a fluctuating market.

A review of actual expenditures compared to the appropriations in the final budget reveals across all governmental functions, actual expenditures were less than originally budgeted. During the Mid-Biennium Budget Amendment process, some expenditures were re-allocated from 2025 to 2026. The primary reason for these changes were professional service contracts that did not have all deliverables met in 2025.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LEOFF 1
As of June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning	$ 1,025,559	$ 1,132,830	$ 1,103,715	$ 1,178,033	$ 1,151,313	$ 1,215,855	$ 1,185,697	$ 1,220,280
Interest	39,254	40,299	38,333	25,049	25,008	41,770	45,286	43,106
Changes in Experience Data and Assumptions	(40,567)	(89,539)	32,890	(62,462)	41,424	(61,081)	16,187	(45,011)
Estimated Benefit Payments	(54,002)	(58,031)	(42,108)	(36,905)	(39,712)	-	(31,315)	(32,678)
Benefit payments						(45,231)	-	-
Total OPEB liability - ending	$ 970,244	$ 1,025,559	$ 1,132,830	$ 1,103,715	$ 1,178,033	$ 1,151,313	$ 1,215,855	$ 1,185,697
Covered-employee payroll*	0	0	0	0	0	0	0	0
Total OPEB liability as a % of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to Schedule:
* No active employees
Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
PERS 1
As of June 30, 2025
Last 10 years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability (asset)	0.038509%	0.037920%	0.040632%	0.039458%	0.039203%	0.041138%	0.042353%	0.040400%	0.038376%	0.038976%
Employer's proportionate share of the net pension liability (asset)	$ 454,020	$ 673,777	$ 927,520	$ 1,098,656	$ 478,760	$ 1,452,394	$ 1,628,623	$ 1,804,278	$ 1,820,971	$ 2,093,195
Total	$ 454,020	$ 673,777	$ 927,520	$ 1,098,656	$ 478,760	$ 1,452,394	$ 1,628,623	$ 1,804,278	$ 1,820,971	$ 2,093,195
Employer's covered payroll	$ 8,317,897	$ 7,599,482	$ 7,246,184	$ 6,440,352	$ 6,025,440	$ 6,244,760	$ 5,943,262	$ 5,379,587	$ 4,839,503	$ 4,671,276
Employer's proprtionate share of the net pension liability as a percentage of covered payroll	5.46%	8.87%	12.80%	17.06%	7.95%	23.26%	27.40%	33.54%	37.63%	44.81%
Plan fiduciary net position as a percentage of the total pension liability	89.07%	84.05%	80.16%	76.56%	88.74%	68.64%	67.12%	61.24%	61.24%	57.03%

Notes to Schedule:
See notes to Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
PERS 2/3
As of June 30, 2025
Last 10 years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability (asset)	0.049846%	0.049104%	0.052417%	0.051469%	0.050378%	0.053582%	0.054678%	0.051875%	0.049363%	0.049929%
Employer's proportionate share of the net pension liability (asset)	$ (1,902,211)	$ (1,618,749)	$ (2,148,407)	$ (1,908,872)	$ (5,018,459)	$ 685,283	$ 531,109	$ 885,719	$ 1,715,128	$ 2,513,886
Total	$ (1,902,211)	$ (1,618,749)	$ (2,148,407)	$ (1,908,872)	$ (5,018,459)	$ 685,283	$ 531,109	$ 885,719	$ 1,715,128	$ 2,513,886
Employer's covered payroll	$ 8,317,897	$ 7,599,482	$ 7,246,184	$ 6,440,352	$ 6,025,440	$ 6,244,760	$ 5,943,262	$ 5,379,587	$ 4,839,503	$ 4,671,276
Employer's proprtionate share of the net pension liability as a percentage of covered payroll	-22.87%	-21.30%	-29.65%	-29.64%	-83.29%	10.97%	8.94%	16.46%	35.44%	53.82%
Plan fiduciary net position as a percentage of the total pension liability	105.53%	105.17%	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%

Notes to Schedule:
See notes to Required Supplemetary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LEOFF 1
As of June 30, 2025
Last 10 years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability (asset)	0.001938%	0.001883%	0.001828%	0.001784%	0.001736%	0.001694%	0.001707%	0.002911%	0.002999%	0.003743%
Employer's proportionate share of the net pension liability	$ (61,406)	$ (53,550)	$ (54,255)	$ (51,176)	$ (59,468)	$ (31,991)	$ (33,741)	$ (52,849)	$ (45,501)	$ (38,564)
State's proportionate share of the net pension liability (asset) associated with the employer	$ (415,350)	$ (362,214)	$ (366,983)	$ (346,154)	$ (402,238)	$ (216,389)	$ (228,222)	$ (357,471)	$ (307,771)	$ (260,843)
Total	$ (476,756)	$ (415,764)	$ (421,238)	$ (397,330)	$ (461,706)	$ (248,380)	$ (261,962)	$ (410,320)	$ (353,272)	$ (299,407)
Employer's covered payroll	0	0	0	0	0	0	0	0	0	0
Employer's proprtionate share of the net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	178.02%	168.48%	175.99%	169.62%	187.45%	146.88%	148.78%	144.42%	135.96%	123.74%

Notes to Schedule:
See notes to Required Supplemetary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LEOFF 2
As of June 30, 2025
Last 10 years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability (asset)	0.054548%	0.053690%	0.056698%	0.052882%	0.051608%	0.054246%	0.057162%	0.056707%	0.053352%	0.053380%
Employer's proportionate share of the net pension liability	$ (1,056,877)	$ (1,005,477)	$ (1,359,957)	$ (1,437,173)	$ (2,997,606)	$ (1,106,539)	$ (1,324,268)	$ (1,151,276)	$ (740,353)	$ (310,474)
State's proportionate share of the net pension liability (asset) associated with the employer	(678,332)	(652,501)	(868,455)	(930,969)	(1,933,783)	(707,548)	(867,218)	(745,429)	(480,253)	(202,407)
Total	$ (1,735,209)	$ (1,657,978)	$ (2,228,412)	$ (2,368,142)	$ (4,931,390)	$ (1,814,087)	$ (2,191,486)	$ (1,896,705)	$ (1,220,606)	$ (512,881)
Employer's covered payroll	$ 2,862,581	$ 2,540,692	$ 2,464,311	$ 2,116,086	$ 1,991,498	$ 2,040,369	$ 1,988,602	$ 1,858,381	$ 1,668,942	$ 1,617,108
Employer's proprtionate share of the net pension liability as a percentage of covered payroll	36.92%	39.57%	55.19%	67.92%	150.52%	54.23%	66.59%	61.95%	44.36%	19.20%
Plan fiduciary net position as a percentage of the total pension liability	108.79%	109.27%	113.17%	116.09%	142.00%	115.83%	119.43%	118.50%	113.36%	106.04%

Notes to Schedule:
See notes to Required Supplemetary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERS 1
For the year ended December 31, 2025
Last 10 years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily or contractually required contributions	$ 118,039	$ 215,663	$ 257,506	$ 259,173	$ 258,233	$ 299,031	$ 303,261	$ 286,998	$ 249,559	$ 224,037
Contributions in relation to the statutorily or contractually required contributions	(118,039)	(215,663)	(257,506)	(259,173)	(258,233)	(299,031)	(303,261)	(286,998)	(249,559)	(224,037)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 8,849,109	$ 7,826,998	$ 7,530,903	$ 6,907,296	$ 5,975,580	$ 6,239,868	$ 6,119,710	$ 5,670,880	$ 5,098,268	$ 4,696,806
Contributions as a percentage of covered payroll	1.33%	2.76%	3.42%	3.75%	4.32%	4.79%	4.96%	5.06%	4.89%	4.77%

Notes to Schedule:
See notes to Required Supplemetary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERS 2/3
For the year ended December 31, 2025
Last 10 years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily or contractually required contributions	$ 521,446	$ 497,798	$ 478,966	$ 439,305	$ 429,186	$ 494,198	$ 471,748	$ 425,275	$ 348,499	$ 292,611
Contributions in relation to the statutorily or contractually required contributions	(521,446)	(497,798)	(478,966)	(439,305)	(429,186)	(494,198)	(471,748)	(425,275)	(348,499)	(292,611)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 8,849,109	$ 7,826,998	$ 7,530,903	$ 6,907,296	$ 5,975,580	$ 6,239,868	$ 6,119,710	$ 5,670,880	$ 5,098,268	$ 4,696,806
Contributions as a percentage of covered payroll	5.89%	6.36%	6.36%	6.36%	7.18%	7.92%	7.71%	7.50%	6.84%	6.23%

Notes to Schedule:
See notes to Required Supplemetary Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LEOFF 2
For the year ended December 31, 2025
Last 10 years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily or contractually required contributions	$ 154,151	$ 136,324	$ 129,942	$ 122,486	$ 101,429	$ 107,243	$ 104,711	$ 102,989	$ 91,334	$ 80,293
Contributions in relation to the statutorily or contractually required contributions	(154,151)	(136,324)	(129,942)	(122,486)	(101,429)	(107,243)	(104,711)	(102,989)	(91,334)	(80,293)
Contribution deficiency (excess)			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,967,893	$ 2,631,343	$ 2,501,016	$ 2,361,716	$ 1,963,717	$ 2,074,471	$ 1,989,036	$ 1,937,302	$ 1,776,493	$ 1,589,968
Contributions as a percentage of covered payroll	5.19%	5.18%	5.20%	5.19%	5.17%	5.17%	5.26%	5.32%	5.14%	5.05%

Notes to Schedule:
See notes to Required Supplemetary Information

Notes to Required Supplementary Information – Pensions
December 31, 2025

Note 1 – Information provided
There are no City employees participating in the PERS 1 or LEOFF 1 plans in 2025; therefore, there is no covered payroll reported under LEOFF 1.

PERS 1 employer contributions include the PERS 1 employer contributions of PERS 2 and PERS 3, which are required to fund the unfunded actuarially accrued liability pursuant to RCW 41.45.060.

LEOFF 1 is fully funded, and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation.

The City of Poulsbo does not have assets accumulated in a trust that meets the criteria of a qualified plan.

Note 2 – Significant errors
There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different actuarial assumptions.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are established to account for the proceeds of specific revenue sources that are internally or legally restricted to expenditures for specific purposes.

The **City Street Fund** accounts for special revenue funds received to provide general governmental services for the administration and operation of street-oriented maintenance and repair.

The **Transportation Benefit District Fund** accounts for special revenue funds received from 1/10 of 1% sales tax and additional assessment on Vehicle Licensing. These revenues are for construction, operations, repair, and maintenance of roads and sidewalks.

The **Capital Improvements Fund** accounts for the receipt and expenditure of the first ¼ of 1% real estate excise tax authorized by State RCW 82.46. These revenues are dedicated for capital purposes defined in RCW 35.43.040, including public buildings and facilities.

The **Transportation Development Fund** accounts for all traffic and sidewalk mitigation fees collected from developers.

The **Park Development Fund** was established to account for park mitigation and impact fees paid by developers.

The **Affordable Housing Fund** accounts for state shared sales and use tax assessed from prior year taxable retail sales within the city for the use of acquiring, rehabilitating, or constructing affordable or supportive housing, or may be used to provide rental assistance to tenants that are at or below 60% of the median income.

The **Historic Downtown Poulsbo Association** accounts for the assessments collected by the City for the use by the downtown business improvement area expenses to promote downtown business.

The **Paths & Trails Fund** receives its funding from the .5% of the State fuel taxes to be used specifically for paths and trails reserves.

The **Drug Enforcement Fund** accounts for monies and property seized during drug investigations per RCW 69.50.505. All monies paid into the funds are to be used by the police department for drug enforcement purposes.

The **Transient Occupancy Fund** accounts for the City's share of the hotel-motel taxes for the purpose of promoting tourism.

The **Police Restricted Fund** accounts for various revenues to be used specifically for criminal justice activities.

Debt Service Funds

Debt Service Funds account for the accumulation of resources for and the payment of general obligation and special assessment bonds.

The **Non-Voted General Obligation Debt** accounts for the debt service on Council approved general obligation debt. Currently this includes four bond issues.

Capital Projects Funds

Capital Projects Funds account for the acquisition or construction of capital facilities (except for those financed primarily by proprietary funds). These funds are financed primarily by general obligation bonds, special assessments, federal and state grants, and contributions from other funds.

The **Equipment Acquisition Fund** was established to account for money used to purchase and replace existing capital equipment. Funding for the purchases is from a percentage of sales tax revenues.

The **Park Reserve Fund** was established to account for money used for improvements to the City parks and the urban forestry program. Funding is from a transfer from the General Fund.

The **Transportation Benefit District Capital Fund** was established to fund capital projects relating to roads and sidewalks.

The **Cemetery Reserve Fund** was established to account for money collected from grave site sales used to make improvements to the City cemetery.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

The **Bernice Borgen Beautification Fund** is used to account for principal trust amounts received from Bernice Borgen estate and related interest income. The interest portion of the trust can be used for the beautification of the City.

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2025
Page 1 of 4

	Special Revenue Funds						
	City Street Fund	Transportation Benefit District Fund	Capital Improvements Fund	Transportation Development Fund	Park Development Fund	Affordable Housing Fund	Historic Downtown Poulsbo Association Fund
Assets							
Cash and Cash Equivalents	$ 130,354	$ 131,069	$ 368,998	$ 56,779	$ 145,066	$ 275,380	$ 42,573
Investments	405,003	1,190,139	2,969,867	1,744,138	808,965	1,191,740	37,397
Receivables *(net allowance for uncollectibles)*							
Taxes	99,170	73,892	52,638	-	-	126,946	-
Accounts	-	-	-	-	-	1,200	6,636
Intergovernmental	-	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	13,850	-
Cash and Investments - Restricted	-	-	-	-	-	-	-
Total Assets	**634,527**	**1,395,100**	**3,391,502**	**1,800,917**	**954,031**	**1,609,115**	**86,607**
Deferred Outflows of Resources	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Liabilities							
Accounts Payable	23,672	-	-	-	-	4,011	12,760
Retainage Payable	5,250	13,335	-	-	-	-	-
Payroll	20,998	-	-	-	-	20,560	-
Deposits Payable	-	-	-	-	-	-	-
Total Liabilities	**49,920**	**13,335**	**-**	**-**	**-**	**24,570**	**12,760**
Unavailable Revenue - Grants	-	-	-	-	-	-	-
Deferred Inflows of Resources	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Fund Balances							
Nonspendable Fund Balance	-	-	-	-	-	-	-
Restricted Fund Balance	-	1,381,765	3,391,502	1,800,917	954,031	1,584,544	73,846
Assigned Fund Balance	584,607	-	-	-	-	-	-
Total Fund Balance	**584,607**	**1,381,765**	**3,391,502**	**1,800,917**	**954,031**	**1,584,544**	**73,846**
Total Liabilities, Deferred Inflows of Resources and Fund Balances	**$ 634,527**	**$ 1,395,100**	**$ 3,391,502**	**$ 1,800,917**	**$ 954,031**	**$ 1,609,115**	**$ 86,607**

COMBINING BALANCE SHEET *(continued)*
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	Special Revenue Funds				
	Paths and Trails Fund	**Drug Enforcement Fund**	**Transient Occupancy Fund**	**Police Restricted Fund**	**Total Non-Major Special Revenue Funds**
Assets					
Cash and Cash Equivalents	$ 7,949	$ 5,554	$ 102,712	$ 55,812	$ 1,322,247
Investments	20,685	33,293	395,527	171,731	8,968,483
Receivables *(net allowance for uncollectibles)*					
Taxes	202	-	43,830	4,724	401,401
Accounts	-	-	-	-	7,836
Intergovernmental	-	-	-	6,674	6,674
Prepaid Items	-				13,850
Cash and Investments - Restricted	-	-	-	-	-
Total Assets	**28,835**	**38,848**	**542,069**	**238,942**	**10,720,491**
Deferred Outflows of Resources	**-**	**-**	**-**	**-**	**-**
Liabilities					
Accounts Payable	-	49	100,946	-	141,438
Retainage Payable	-	-	-	-	18,585
Payroll	-	-	1,527	-	43,085
Deposits Payable	-	5,064	-	178	5,242
Total Liabilities	**-**	**5,113**	**102,473**	**178**	**208,351**
Unavailable Revenue - Grants	-	-	-	-	-
Deferred Inflows of Resources	**-**	**-**	**-**	**-**	**-**
Fund Balances					
Nonspendable Fund Balance	-	-	-	-	-
Restricted Fund Balance	28,835	33,734	439,596	195,822	9,884,593
Assigned Fund Balance	-	-	-	42,941	627,548
Total Fund Balance	**28,835**	**33,734**	**439,596**	**238,763**	**10,512,141**
Total Liabilities, Deferred Inflows of Resources and Fund Balances	**$ 28,835**	**$ 38,848**	**$ 542,069**	**$ 238,942**	**$ 10,720,491**

COMBINING BALANCE SHEET (continued)
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2025
Page 3 of 4

Debt Service Funds		**Capital Project Funds**				
Non-Voted General Oblig Debt Fund	**Total Non-Major Debt Service Funds**	**Equipment Acquisition Fund**	**Park Reserve Fund**	**Transportation Benefit District Capital Fund**	**Cemetery Reserve Fund**	**Total Non-Major Capital Project Funds**
$ 5,323	$ 5,323	$ 365,423	$ 206,612	$ 3,427	$ 32,974	$ 608,436
4,563	4,563	420,803	445,071	-	27,969	893,843
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	82,382	-	-	82,382
-	-	-	-	-	-	-
-	-	-	-	-	-	-
9,886	**9,886**	**786,226**	**734,066**	**3,427**	**60,943**	**1,584,661**
-	**-**	**-**	**-**	**-**	**-**	**-**
-	-	-	9,594	-	-	9,594
-	-	-	16,396	-	-	16,396
-	-	-	32	-	-	32
-	-	-	-	-	-	-
-	**-**	**-**	**26,023**	**-**	**-**	**26,023**
-						
-	-	-	82,382	-	-	82,382
-	**-**	**-**	**82,382**	**-**	**-**	**82,382**
-	-	-	-	-	-	-
-	-	-	-	-	-	-
9,886	9,886	786,226	625,661	3,427	60,943	1,476,256
9,886	**9,886**	**786,226**	**625,661**	**3,427**	**60,943**	**1,476,256**
$ 9,886	**$ 9,886**	**$ 786,226**	**$ 734,066**	**$ 3,427**	**$ 60,943**	**$ 1,584,661**

COMBINING BALANCE SHEET *(continued)*
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2025
Page 4 of 4

	Permanent Fund	
	Bernice Borgen Beautification Trust Fund	**Total Non-Major Governmental Funds**
Assets		
Cash and Cash Equivalents	6,205	$ 1,942,211
Investments	-	9,866,889
Receivables *(net allowance for uncollectibles)*		
Taxes	-	401,401
Accounts	-	7,836
Intergovernmental	-	89,056
Prepaid Items	-	13,850
Cash and Investments - Restricted	96,860	96,860
Total Assets	**103,066**	**12,418,105**
Deferred Outflows of Resources	**-**	**-**
Liabilities		
Accounts Payable	-	151,032
Retainage Payable	-	34,982
Payroll	-	43,117
Deposits Payable	-	5,242
Total Liabilities	**-**	**234,373**
Unavailable Revenue - Grants	-	82,382
Deferred Inflows of Resources	**-**	**82,382**
Fund Balances		
Nonspendable Fund Balance	91,016	91,016
Restricted Fund Balance	12,050	9,896,642
Assigned Fund Balance	-	2,113,691
Total Fund Balance	**103,066**	**12,101,349**
Total Liabilities, Deferred Inflows of Resources and Fund Balances	**$ 103,066**	**$ 12,418,105**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2025

Page 1 of 4

	Special Revenue Funds					
	City Street Fund	Transportation Benefit District Operations	Capital Improvements Fund	Transportation Development Fund	Park Development Fund	Affordable Housing Fund
Revenues						
Taxes	$ 341,251	$ 545,505	$ 1,057,835	$ -	$ -	$ 720,303
Intergovernmental	242,059	-	-	-	-	-
Interest and Other Earnings	9,610	36,371	98,098	62,699	21,770	35,611
Licenses and Permits	35,670	-	-	-	-	-
Charges for Services	-	-	-	752,306	211,929	-
Fines and Forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	654
Total Revenues	**628,590**	**581,876**	**1,155,933**	**815,004**	**233,699**	**756,567**
Expenditures						
Current:						
Security of Persons & Property	-	-	-	-	-	-
Transportation	1,297,648	328,045	-	-	-	-
Economic Environment	-	-	-	-	-	55,134
Mental and Physical Health	-	-	-	-	-	329,177
Culture and Recreation	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest & Other Charges	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Total Expenditures	**1,297,648**	**328,045**	**-**	**-**	**-**	**384,312**
Excess (deficiency) of Revenues over (under) expenditures	(669,058)	253,831	1,155,933	815,004	233,699	372,255
Other Financing Sources (Uses)						
Transfers In	689,500	-	-	-	-	-
Transfers Out	-	(80,000)	(500,000)	(950,000)	-	-
Leases - as lessee	-	-	-	-	-	11,688
SBITA	-	-	-	-	-	-
Total Other Financing Sources and Uses	**689,500**	**(80,000)**	**(500,000)**	**(950,000)**	**-**	**11,688**
Net Change in Fund Balances	20,442	173,831	655,933	(134,996)	233,699	383,943
Fund Balances - Beginning of Year	564,165	1,207,933	2,735,570	1,935,913	720,331	1,200,601
Fund Balances - End of Year	**584,607**	**1,381,765**	**3,391,502**	**$ 1,800,917**	**$ 954,031**	**$ 1,584,544**

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (continued)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025
Page 2 of 4

	Special Revenue Funds					
	Historic Downtown Poulsbo Association Fund	Paths and Trails Fund	Drug Enforcement Fund	Transient Occupancy Fund	Police Restricted Fund	Total Non-Major Special Revenue Funds
Revenues						
Taxes	$ -	$ -	$ -	$ 369,823	$ -	$ 3,034,717
Intergovernmental	-	1,134	-	-	44,743	287,936
Interest and Other Earnings	2,100	612	1,005	17,556	5,233	290,664
Licenses and Permits	-	-	-	-	-	35,670
Charges for Services	-	-	-	-	-	964,235
Fines and Forfeitures	-	-	-	-	113	113
Miscellaneous	85,550	-	309	-	1,265	87,777
Total Revenues	**87,650**	**1,746**	**1,314**	**387,379**	**51,354**	**4,701,111**
Expenditures						
Current:						
Security of Persons & Property	-	-	3,504	-	33,491	36,995
Transportation	-	-	-	-	-	1,625,693
Economic Environment	-	-	-	485,731	-	540,865
Mental and Physical Health	-	-	-	-	-	329,177
Culture and Recreation	99,424	-	-	-	-	99,424
Debt Service:						-
Principal	-	-	-	-	-	-
Interest & Other Charges	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Total Expenditures	**99,424**	**-**	**3,504**	**485,731**	**33,491**	**2,632,155**
Excess (deficiency) of Revenues over (under) expenditures	(11,775)	1,746	(2,190)	(98,353)	17,863	2,068,956
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	689,500
Transfers Out	-	-	-	(114,500)	-	(1,644,500)
Leases - as lessee	-	-	-	-	-	11,688
SBITA	-	-	-	-	-	-
Total Other Financing Sources and Uses	**-**	**-**	**-**	**(114,500)**	**-**	**(943,312)**
Net Change in Fund Balances	(11,775)	1,746	(2,190)	(212,853)	17,863	1,125,644
Fund Balances - Beginning of Year	85,621	27,090	35,924	652,448	220,900	9,386,496
Fund Balances - End of Year	**$ 73,846**	**$ 28,835**	**$ 33,734**	**$ 439,596**	**$ 238,763**	**$ 10,512,141**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Debt Service Funds		Capital Project Funds				
	Non-Voted GO Debt Fund	**Total Non-Major Debt Service Funds**	**Equipment Acquisition Fund**	**Park Reserve Fund**	**TBD Capital Fund**	**Cemetery Reserve Fund**	**Total Non-Major Capital Project Funds**
Revenues							
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	337,279	-	-	337,279
Interest and Other Earnings	135	135	3,327	10,349	-	827	14,504
Licenses and Permits	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	5,000	5,000
Fines and Forfeitures	-	-	-	-	-	-	-
Miscellaneous	-	-	-	135,089	-	-	135,089
Total Revenues	**135**	**135**	**3,327**	**482,717**	**-**	**5,827**	**491,872**
Expenditures							
Current:							
Security of Persons & Property	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-
Economic Environment	-	-	-	-	-	-	-
Mental and Physical Health	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-
Debt Service:							
Principal	979,758	979,758	-	-	-	-	-
Interest & Fiscal Charges	195,654	195,654	-	-	-	-	-
Capital Outlay	-	-	722,676	949,568	76,773	-	1,749,018
Total Expenditures	**1,175,413**	**1,175,413**	**722,676**	**949,568**	**76,773**	**-**	**1,749,018**
Excess of Revenues over (under) Expenditures	(1,175,278)	(1,175,278)	(719,349)	(466,851)	(76,773)	5,827	(1,257,146)
Other Financing Sources (Uses)							
Transfers In	1,175,063	1,175,063	616,395	454,500	80,000	-	1,150,895
Transfers Out	-	-	-	-	-	-	-
Leases - as lessee	-	-	494,775	-	-	-	494,775
SBITA	-	-	24,001	-	-	-	24,001
Total Other Financing Sources and Uses	**1,175,063**	**1,175,063**	**1,135,171**	**454,500**	**80,000**	**-**	**1,669,671**
Net Change in Fund Balances	(215)	(215)	415,822	(12,351)	3,227	5,827	412,525
Fund Balances - Beginning of Year	10,101	10,101	370,404	638,012	200	55,116	1,063,731
Fund Balances - Ending of Year	**$ 9,886**	**$ 9,886**	**$ 786,226**	**$ 625,661**	**$ 3,427**	**$ 60,943**	**$ 1,476,256**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025
Page 4 of 4

	Permanent Fund	
	Bernice Borgen Beautification Trust Fund	**Total Non-Major Governmental Funds**
Revenues		
Taxes	$ -	$ 3,034,717
Intergovernmental	-	625,215
Interest and Other Earnings	3,134	308,437
Licenses and Permits	-	35,670
Charges for Services	-	969,235
Fines and Forfeitures	-	113
Miscellaneous	-	222,866
Total Revenues	**3,134**	**5,196,252**
Expenditures		
Current:		
Security of Persons & Property	-	36,995
Transportation	-	1,625,693
Economic Environment	-	540,865
Mental and Physical Health	-	329,177
Culture and Recreation	-	99,424
Debt Service:		
Principal	-	979,758
Interest & Fiscal Charges	-	195,654
Capital Outlay	-	1,749,018
Total Expenditures	**-**	**5,556,585**
Excess (deficiency) of Revenues over (under) expenditures	3,134	(360,333)
Other Financing Sources (Uses)		
Transfers In	-	3,015,458
Transfers Out	-	(1,644,500)
Leases - as lessee	-	506,463
SBITA	-	24,001
Total Other Financing Sources and Uses	**-**	**1,901,421**
Net Change in Fund Balances	3,134	1,541,088
Fund Balances - Beginning of Year	99,932	10,560,261
Fund Balances - End of Year	**$ 103,066**	**$ 12,101,349**

CITY STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget over (under) Actual Amounts
Revenues			
Sales Tax - Transportation	$ 307,577	$ 341,251	$ 33,674
License and Permits	25,600	35,670	10,070
Intergovernmental	355,483	242,059	(113,424)
Interest and Other Earnings	2,225	9,610	7,385
Miscellaneous	5,500	-	(5,500)
Total Revenues	**696,385**	**628,590**	**(67,795)**
Expenditures			
Transportation:			
Street Maintenance	1,500,849	1,297,648	203,201
Total Expenditures	**1,500,849**	**1,297,648**	**203,201**
Excess of Revenues Over (Under) Expenditures	(804,464)	(669,058)	135,406
Other Financing Sources (Uses)			
Transfers In	689,500	689,500	(0)
Transfers Out			-
Total Other Financing Sources (Uses)	**689,500**	**689,500**	**(0)**
Net Change in Fund Balance	(114,964)	20,442	135,406
Fund Balance - Beginning of Year	580,663	564,165	(16,498)
Fund Balance - End of Year	**$ 465,699**	**$ 584,607**	**$ 118,908**

TRANSPORTATION BENEFIT DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Transportation Benefit Dist. Sales & Use Tax	$ 300,000	$ 341,251	$ 41,251
Transportation Benefit Dist License Tab Fees	160,000	204,254	44,254
Interest and Other Earnings	-	36,371	36,371
Total Revenues	**460,000**	**581,876**	**121,876**
Expenditures			
Repairs & Maintenance	1,034,610	328,045	706,565
Total Expenditures	**1,034,610**	**328,045**	**706,565**
Excess of Revenues Over (Under) Expenditures	(574,610)	253,831	828,441
Other Financing Sources (Uses)			
Transfers Out	(80,000)	(80,000)	-
Total Other Financing Sources (Uses)	**(80,000)**	**(80,000)**	**-**
Net Change in Fund Balance	(654,610)	173,831	828,441
Fund Balance - Beginning of Year	1,207,933	1,207,933	0
Fund Balance - End of Year	**$ 553,323**	**$ 1,381,765**	**$ 828,442**

CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes:			
Excise Tax	$ 700,000	$ 1,057,835	$ 357,835
Interest and Other Earnings	6,000	98,098	92,098
Total Revenues	**706,000**	**1,155,933**	**449,933**
Excess of Revenues Over (Under) Expenditures	706,000	1,155,933	(449,933)
Other Financing Sources (Uses)			
Transfers Out	(1,140,000)	(500,000)	640,000
Total Other Financing Sources (Uses)	**(1,140,000)**	**(500,000)**	**640,000**
Net Change in Fund Balance	(434,000)	655,933	1,089,933
Fund Balance - Beginning of Year	2,735,570	2,735,570	(0)
Fund Balance - End of Year	**$ 2,301,570**	**$ 3,391,502**	**$ 1,089,932**

TRANSPORTATION DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Growth Mgmt Act Impact	$ 480,000	$ 752,306	$ 272,306
Interest and Other Earnings	10,000	62,699	52,699
Total Revenues	**490,000**	**815,004**	**325,004**
Excess of Revenues Over (Under) Expenditures	490,000	815,004	(325,004)
Other Financing Sources (Uses)			
Transfers Out	(1,663,991)	(950,000)	713,991
Total Other Financing Sources (Uses)	**(1,663,991)**	**(950,000)**	**713,991**
Net Change in Fund Balance	(1,173,991)	(134,996)	1,038,995
Fund Balance - Beginning of Year	1,935,913	1,935,913	(0)
Fund Balance - End of Year	**$ 761,922**	**$ 1,800,917**	**$ 1,038,995**

PARK DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Growth Mgmt Act Impact	$ 100,000	$ 211,929	$ 111,929
Interest and Other Earnings	2,000	21,770	19,770
Total Revenues	**102,000**	**233,699**	**131,699**
Excess of Revenues Over (Under) Expenditures	102,000	233,699	(131,699)
Other Financing Sources (Uses)			
Transfers Out	(88,000)	-	(88,000)
Total Other Financing Sources (Uses)	**(88,000)**	**-**	**(88,000)**
Net Change in Fund Balance	14,000	233,699	219,699
Fund Balance - Beginning of Year	720,331	720,331	0
Fund Balance - End of Year	**$ 734,331**	**$ 954,031**	**$ 219,700**

AFFORDABLE HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Affordable House Sales & Use Tax	$ 675,000	$ 720,303	$ 45,303
Interest and Other Earnings	-	35,611	35,611
Miscellaneous	-	12,342	12,342
Total Revenues	**675,000**	**768,255**	**93,255**
Expenditures			
Wages & Benefits	347,894	260,187	87,707
Supplies	-	935	(935)
Professional Services	143,576	123,190	20,386
Total Expenditures	**491,470**	**384,312**	**107,158**
Excess of Revenues Over (Under) Expenditures	183,530	383,943	(200,413)
Net Change in Fund Balance	183,530	383,943	200,413
Fund Balance - Beginning of Year	1,204,794	1,200,601	(4,193)
Fund Balance - End of Year	**$ 1,388,324**	**$ 1,584,544**	**$ 196,220**

HISTORIC DOWNTOWN POULSBO ASSOCIATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Special Assessments	$ 48,000	$ 48,735	$ 735
Gifts and Pledges	50,000	36,815	(13,185)
Interest and Other Earnings	1,000	2,100	1,100
Total Revenues	**99,000**	**87,650**	**(11,351)**
Expenditures			
Bad Debt Expense	500	-	500
Office & Operating Supplies	2,500	3,720	(1,220)
Small Tools & Minor Equipment	200	683	(483)
Professional Services	32,000	57,276	(25,276)
Advertising	52,700	10,144	42,556
Communication	1,000	-	1,000
Postage	300	101	199
Insurance	2,500	3,658	(1,158)
Operating Rental & Leases	-	1,800	(1,800)
Repairs and Maintenance	33,700	14,000	19,700
Miscellaneous	10,000	8,041	1,959
Total Expenditures	**135,400**	**99,424**	**35,976**
Excess of Revenues Over (Under) Expenditures	(36,400)	(11,775)	(24,625)
Net Change in Fund Balance	(36,400)	(11,775)	24,625
Fund Balance - Beginning of Year	85,621	85,621	(0)
Fund Balance - End of Year	**$ 49,221**	**$ 73,846**	**$ 24,625**

PATH AND TRAILS RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	$ 501,110	$ 1,134	$ (499,976)
Interest and Other Earnings	-	612	612
Total Revenues	**501,110**	**1,746**	**(499,364)**
Expenditures			
Professional Servicces	500,000	-	500,000
Total Expenditures	**500,000**	**-**	**500,000**
Excess of Revenues Over (Under) Expenditures	1,110	1,746	636
Net Change in Fund Balance	1,110	1,746	636
Fund Balance - Beginning of Year	27,173	27,090	(83)
Fund Balance - End of Year	**$ 28,283**	**$ 28,835**	**$ 552**

DRUG ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	$ 500	$ 1,005	$ 505
Contributions and Donations	250	309	59
Total Revenues	**750**	**1,314**	**564**
Expenditures			
Special Unit Program	3,000	1,808	1,193
K-9 Program	12,150	1,696	10,454
Total Expenditures	**15,150**	**3,504**	**11,646**
Excess of Revenues Over (Under) Expenditures	(14,400)	(2,190)	12,210
Net Change in Fund Balance	(14,400)	(2,190)	12,210
Fund Balance - Beginning of Year	30,860	35,924	5,064
Fund Balance - End of Year	**$ 16,460**	**$ 33,734**	**$ 17,274**

TRANSIENT OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

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	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Hotel/Motel Tax	$ 365,000	$ 369,823	$ 4,823
Interest and Other Earnings	4,000	17,556	13,556
Total Revenues	**369,000**	**387,379**	**18,379**
Expenditures			
Blue Star Banner Program	2,000	2,000	-
City of Poulsbo Event Coordinator	249,000	130,555	118,445
Historic Downtown Poulsbo Association	50,000	36,815	13,185
Kitsap Bazaar	1,000	-	1,000
Kitsap Winery Alliance	4,000	-	4,000
Liberty Bay Books	5,000	4,642	358
Orca Running	1,000	750	250
Poulsbo Blues & Jazz Festival	30,000	30,000	-
Poulsbo Chamber of Commerce	50,000	49,100	900
Poulsbo Community Orchestra	3,500	1,342	2,158
Poulsbo Film Festival	20,000	18,000	2,000
Poulsbo Historical Society	30,000	30,000	-
SEA Discovery Center	105,850	104,576	1,274
Viking Fest	35,000	22,950	12,050
Visit Kitsap Peninsula	55,000	55,000	-
Total Expenditures	**641,350**	**485,731**	**155,619**
Excess of Revenues Over (Under) Expenditures	(272,350)	(98,353)	173,997
Other Financing Sources (Uses)			
Transfers In	$ 10,000	-	(10,000)
Transfers Out	-	(114,500)	(114,500)
Total Other Financing Sources (Uses)	**10,000**	**(114,500)**	**(124,500)**
Net Change in Fund Balance	(262,350)	(212,853)	49,497
Fund Balance - Beginning of Year	652,448	652,448	0
Fund Balance - End of Year	**$ 390,098**	**$ 439,596**	**$ 49,498**

POLICE RESTRICTED FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Vessel Registration	$ 7,500	$ 6,674	$ (826)
Intergovernmental	37,664	38,069	405
Fines & Forfeitures	-	113	113
Interest and Other Earnings	750	5,233	4,483
Miscellaneous	-	1,265	1,265
Total Revenues	**45,914**	**51,354**	**5,440**
Expenditures			
Marine Safety	30,540	30,321	(219)
Criminal Justice	3,500	3,170	(330)
Miscellaneous	1,500	-	(1,500)
Total Expenditures	**35,540**	**33,491**	**(2,049)**
Excess of Revenues Over (Under) Expenditures	10,374	17,863	7,489
Net Change in Fund Balance	10,374	17,863	7,489
Fund Balance - Beginning of Year	221,900	220,900	(1,000)
Fund Balance - End of Year	**$ 232,274**	**$ 238,763**	**$ 6,489**

NON-VOTED GENERAL OBLIGATION DEBT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	$ 150	$ 135	$ (15)
Local Award	570,000	-	(570,000)
Total Revenues	**570,150**	**135**	**(570,015)**
Expenditures			
Debt Service:			
General Obligation Bond-Principal	979,758	979,758	-
Interest and Other Costs	196,306	195,654	652
Total Expenditures	**1,176,064**	**1,175,412**	**652**
Excess of Revenues Over (Under) Expenditures	(605,914)	(1,175,277)	(569,363)
Other Financing Sources (Uses)			
Transfers In	1,176,063	1,175,063	1,000
Total Other Financing Sources (Uses)	**1,176,063**	**1,175,063**	**1,000**
Net Change in Fund Balance	570,149	(215)	(570,364)
Fund Balance - Beginning of Year	-	10,101	10,101
Fund Balance - End of Year	**$ 570,149**	**$ 9,887**	**$ (560,262)**

EQUIPMENT ACQUISITION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Interest and Other Earnings	$ 3,500	$ 3,327	$ (173)
Total Revenues	**3,500**	**3,327**	**(173)**
Expenditures			
Police Capital Outlay	720,848	720,435	413
Public Works Capital Outlay	2,241	2,241	-
Total Expenditures	**723,089**	**722,676**	**413**
Excess of Revenues Over (Under) Expenditures	(719,589)	(719,349)	240
Other Financing Sources (Uses)			
Transfers In	616,395	616,395	-
Other Financing Sources - Leases & Subscriptions	518,776	518,776	-
Total Other Financing Sources (Uses)	**1,135,171**	**1,135,171**	**-**
Net Change in Fund Balance	415,582	415,822	240
Fund Balance - Beginning of Year	370,404	370,404	$ -
Fund Balance - End of Year	**$ 785,986**	**$ 786,226**	**$ 240**

PARK RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental:			
State Grants	$ 284,158	$ 246,148	$ (38,010)
Federal Grants	133,504	89,131	(44,373)
Local Grants	85,000	2,000	(83,000)
Contributions & Donations	64,828	135,089	70,261
Interest and Other Earnings	8,000	10,349	2,349
Total Revenues	**575,490**	**482,717**	**(92,773)**
Expenditures			
Capital Outlay:			
Land	330,000	7,475	322,525
MIW Waterfront	95,000	128,901	(33,901)
Oyster Plant Park	58,381	27,906	30,475
P&R Bldg Repair	12,000	11,631	369
Park Trail & Wayfinding Signage	20,000	14,937	5,063
Raab Park Park Play for All	495,745	493,087	2,658
Raab Park Skate Park	42,000	40,716	1,284
Rotary Morrow	204,027	224,914	(20,887)
Total Expenditures	**1,257,153**	**949,568**	**307,585**
Excess of Revenues Over (Under) Expenditures	(681,663)	(466,851)	214,812
Other Financing Sources (Uses)			
Transfers In	513,000	454,500	58,500
Proceeds from Long Term Debt	300,000	-	300,000
Total Other Financing Sources (Uses)	**813,000**	**454,500**	**(358,500)**
Net Change in Fund Balance	131,337	(12,351)	(143,688)
Fund Balance - Beginning of Year	370,633	638,012	267,379
Fund Balance - End of Year	**$ 501,970**	**$ 625,661**	**$ 123,691**

TRANSPORTATION BENEFIT DISTRICT CAPITAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Expenditures			
Capital Outlay:	80,000	76,773	(3,227)
Total Expenditures	**80,000**	**76,773**	**3,227**
Excess of Revenues Over (Under) Expenditures	(80,000)	(76,773)	3,227
Other Financing Sources (Uses)			
Transfers In	80,000	80,000	-
Total Other Financing Sources (Uses)	**80,000**	**80,000**	**-**
Net Change in Fund Balance	-	3,227	3,227
Fund Balance - Beginning of Year	-	200	200
Fund Balance - End of Year	**$ -**	**$ 3,427**	**$ 3,427**

STREET RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget over (under) Actual Amounts
Revenues			
Intergovernmental	$ 7,616,400	$ 5,567,972	$ (2,048,428)
Interest and Other Earnings	-	27,256	27,256
Total Revenues	**7,616,400**	**5,595,229**	**(2,021,171)**
Expenditures			
Transportation:			
Street Maintenance	13,012,962	7,048,740	5,964,222
Total Expenditures	**13,012,962**	**7,048,740**	**5,964,222**
Excess of Revenues Over (Under) Expenditures	(5,396,562)	(1,453,512)	(3,943,050)
Other Financing Sources (Uses)			
Transfers In	2,693,991	1,340,000	1,353,991
Proceeds from Long Term Debt	2,500,000	-	2,500,000
Total Other Financing Sources (Uses)	**5,193,991**	**1,340,000**	**3,853,991**
Net Change in Fund Balance	(202,571)	(113,512)	89,059
Fund Balance Beginning of Year	823,591	823,591	-
Fund Balance End of Year	**$ 621,020**	**$ 710,079**	**$ 89,059**

CEMETERY RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Cemetery Services (Gravesites)	$ 2,000	$ 5,000	$ 3,000
Interest and Other Earnings	200	827	627
Total Revenues	**2,200**	**5,827**	**3,627**
Expenditures			
Construction Capital Asset	-	-	-
Total Expenditures	**-**	**-**	**-**
Excess of Revenues Over (Under) Expenditures	2,200	5,827	3,627
Net Change in Fund Balance	2,200	5,827	3,627
Fund Balance - Beginning of Year	55,116	55,116	-
Fund Balance - End of Year	**$ 57,316**	**$ 60,943**	**$ 3,627**

FACILITIES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Integovernmental:			
State Grants	$ -	$ 441,808	$ 441,808
Federal Grants	437,117	437,117	(0)
Local Grants	1,544,862	458,945	(1,085,918)
Interest and Other Earnings	15,000	45,301	30,301
Miscellaneous	-	17,557	17,557
Total Revenues	**1,996,979**	**1,400,727**	**(596,252)**
Expenditures			
Construction Capital Asset	17,226,435	4,342,588	12,883,847
Total Expenditures	**17,226,435**	**4,342,588**	**12,883,847**
Excess of Revenues Over (Under) Expenditures	(15,229,456)	(2,941,861)	12,287,595
Other Financing Sources (Uses)			
Transfers In	3,385,000	3,413,496	28,496
Transfers Out	-	-	-
Issuance of Long Term Debt	13,900,000	-	(13,900,000)
Total Other Financing Sources (Uses)	**17,285,000**	**3,413,496**	**(13,871,504)**
Net Change in Fund Balance	2,055,544	471,634	(1,583,910)
Fund Balance - Beginning of Year	2,116,288	2,116,288	-
Fund Balance - End of Year	**$ 4,171,832**	**$ 2,587,922**	**$ (1,583,910)**

STATISTICAL SECTION

This part of the City of Poulsbo's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information say about the government's overall financial health. This information is unaudited.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue sources, property tax and sales tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Data Sources:

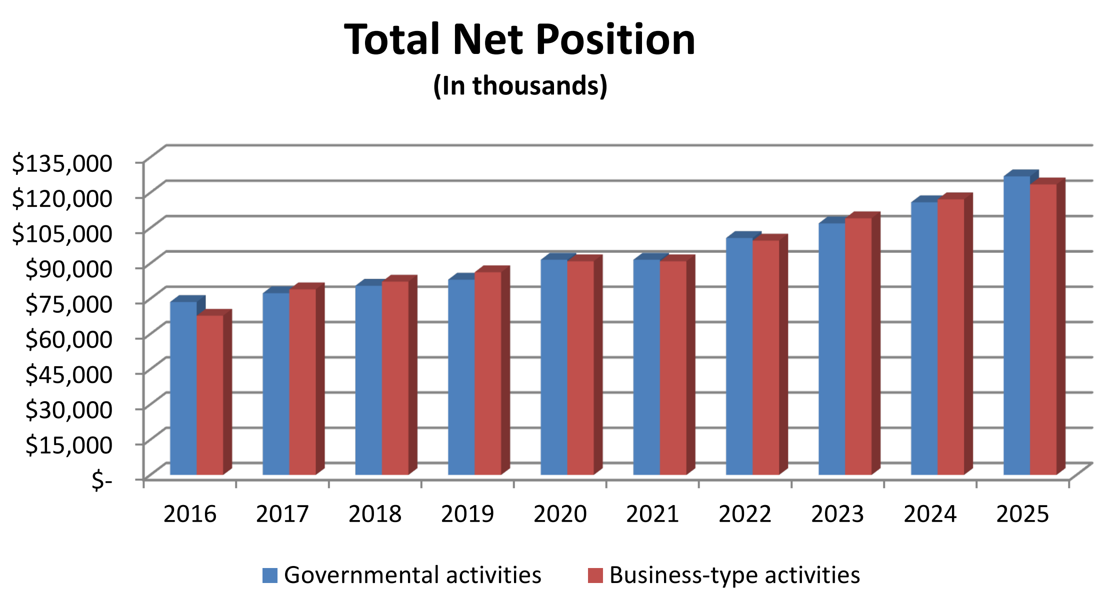
Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

NET POSITION BY COMPONENT
Last Ten Fiscal Years
Page 1 of 2

	2016	2017	2018	2019
Governmental Activities				
Net Investment in Capital Assets	$ 67,834,718	$ 67,195,884	$ 69,608,469	$ 71,251,169
Restricted	2,416,841	3,754,620	4,144,728	5,388,184
Unrestricted	3,367,677	4,796,265	3,604,459	3,884,922
Total Governmental Activities Net Position	73,619,236	75,746,769	77,357,656	80,524,275
Business-type Activities				
Net Investment in Capital Assets	52,652,252	56,724,089	63,613,785	63,420,295
Restricted	313,400	-	-	-
Unrestricted	14,827,869	14,542,041	15,377,138	18,838,075
Total Business-type Activities Net Position	67,793,521	71,266,130	78,990,924	82,258,369
Primary Government				
Net Investment in Capital Assets	120,486,970	123,919,973	133,222,255	134,671,464
Restricted	2,730,241	3,754,620	4,144,728	5,388,184
Unrestricted	18,195,546	19,338,306	18,981,597	22,722,996
Total Primary Government Net Position	$ 141,412,756	$ 147,012,899	$ 156,348,579	$ 162,782,644

NET POSITION BY COMPONENT (*continued*)
Last Ten Fiscal Years
Page 2 of 2

2020	2021	2022	2023	2024	2025
$ 73,665,321	$ 76,707,923	$ 81,591,322	$ 84,625,843	$ 88,775,960	$ 99,911,041
5,463,498	9,734,617	10,770,897	12,293,263	13,781,816	13,046,029
3,966,882	5,107,479	8,422,712	10,051,733	13,362,676	13,980,863
83,095,701	91,550,019	100,784,931	106,970,839	115,920,452	126,937,933
63,259,392	68,313,429	74,119,319	77,514,994	85,885,590	89,663,231
-	235,679	523,090	688,604	817,848	456,848
22,987,735	22,366,111	25,010,941	30,922,026	30,468,520	33,377,017
86,247,127	90,915,218	99,653,350	109,125,625	117,171,957	123,497,095
136,924,714	145,021,351	155,710,642	162,140,837	174,661,550	189,574,272
5,463,498	9,970,296	11,293,987	12,981,868	14,599,664	13,502,877
26,954,616	27,473,590	33,433,653	40,973,759	43,831,196	47,357,879
$ 169,342,828	$ 182,465,236	$ 200,438,281	$ 216,096,464	$ 233,092,410	$ 250,435,028



CHANGES IN NET POSITION
Last Ten Fiscal Years
Page 1 of 4

	2016	2017	2018	2019	2020
Expenses					
Governmental Activities:					
General Government	$ 1,776,629	$ 1,386,987	$ 2,810,801	$ 2,768,497	$ 3,138,251
Judicial	383,968	401,814	434,608	433,486	440,026
Security of Persons & Property	3,327,528	3,495,629	4,280,502	4,046,487	4,062,697
Utilities & Environment	506,396	524,341	210,947	102,289	(20,889)
Transportation	2,922,462	2,998,467	2,797,834	3,555,833	3,615,492
Economic Environment	999,731	1,031,024	1,189,609	1,115,517	1,168,146
Mental & Physical Health	131,162	245,572	344,875	458,461	482,409
Culture & Recreation	1,469,255	1,400,013	1,811,980	1,595,771	1,414,757
Interest on Long-Term Debt	391,781	378,391	251,599	437,737	295,919
Total Governmental Activities Expenses	11,908,913	11,862,238	14,132,756	14,514,078	14,596,807
Business-Type Activities:					
Water	1,692,690	1,625,472	1,982,786	1,791,832	2,091,673
Sewer	2,686,558	2,716,954	3,024,655	3,374,255	3,608,388
Solid Waste	1,759,556	2,096,082	2,331,314	2,342,826	2,495,220
Storm Drain	1,676,166	1,647,010	1,750,631	1,520,262	1,619,323
Total Business-Type Activities	7,814,970	8,085,518	9,089,387	9,029,175	9,814,604
Total Primary Government Expenses	19,723,883	19,947,756	23,222,143	23,543,253	24,411,411
Program Revenues					
Governmental Activities:					
Charges for Services					
General Government	370,369	415,833	357,834	392,318	318,684
Judicial	279,232	58,842	74,442	86,419	45,288
Security of Persons & Property	133,347	123,696	142,503	208,418	187,897
Utilities & Environment	3,400	4,800	6,400	5,600	8,552
Transportation	82,592	144,829	166,074	117,394	166,260
Economic Environment	1,087,421	949,198	773,100	775,932	596,895
Mental & Physical Health	-	-	-	-	-
Culture & Recreation	535,811	575,614	600,286	641,844	256,323
Operating Grants and Contributions	710,043	977,832	975,732	1,598,363	2,086,040
Capital Grants and Contributions	1,633,211	2,403,489	3,354,870	1,894,309	3,077,912
Revenues	4,835,426	5,654,133	6,451,242	5,720,597	6,743,850
Business-Type Activities:					
Charges for Services:					
Water	1,857,036	1,960,128	2,089,015	2,082,860	2,097,405
Sewer	3,460,657	3,626,637	3,947,885	4,242,423	4,343,457
Solid Waste	1,793,421	1,922,024	2,391,489	2,665,747	2,711,827
Storm Drain	1,621,933	1,706,057	1,744,877	1,811,029	1,859,422
Operating Grants and Contributions	84,948	8,195	-	-	24,966
Capital Grants and Contributions	2,234,980	2,291,492	6,398,378	1,052,865	2,506,252
Revenues	11,052,975	11,514,533	16,571,644	11,854,924	13,543,329
Total Primary Government Program Revenues	$ 15,888,401	$ 17,168,666	$ 23,022,886	$ 17,575,521	$ 20,287,179

CHANGES IN NET POSITION *(continued)*
Last Ten Fiscal Years
Page 2 of 4

	2021	2022	2023	2024	2025
Expenses					
Governmental Activities:					
General Government	$ 2,325,866	$ 3,212,742	$ 4,288,487	$ 4,011,763	$ 4,670,047
Judicial	449,644	667,401	597,550	521,070	642,938
Security of Persons & Property	4,663,437	4,385,199	4,402,872	4,893,692	5,538,729
Utilities & Environment	83,108	(3,517)	38,950	505	38,306
Transportation	7,462,013	4,855,285	4,361,676	4,025,991	4,678,177
Economic Environment	1,149,898	1,395,329	1,565,154	1,595,327	1,728,839
Mental & Physical Health	474,789	483,966	914,414	1,003,410	1,103,323
Culture & Recreation	1,410,376	1,720,258	1,874,121	2,133,361	2,249,729
Interest on Long-Term Debt	281,997	279,577	273,236	240,493	215,666
Total Governmental Activities Expenses	18,301,128	16,996,239	18,316,461	18,425,612	20,865,755
Business-Type Activities:					
Water	2,064,473	2,417,665	2,726,432	2,957,230	3,146,656
Sewer	3,888,041	3,921,821	4,288,233	5,291,280	5,388,239
Solid Waste	2,669,074	3,157,154	3,644,020	3,768,635	4,182,502
Storm Drain	1,750,967	1,896,933	2,123,488	2,403,987	2,431,237
Total Business-Type Activities	10,372,555	11,393,573	12,782,173	14,421,133	15,148,634
Total Primary Government Expenses	28,673,683	28,389,812	31,098,634	32,846,744	36,014,389
Program Revenues					
Governmental Activities:					
Charges for Services					
General Government	342,511	389,309	403,576	365,228	377,442
Judicial	16,834	35,815	32,410	126,445	172,542
Security of Persons & Property	151,796	136,839	133,502	127,531	55,812
Utilities & Environment	8,600	6,000	3,614	2,400	5,000
Transportation	202,779	185,838	213,803	195,063	267,314
Economic Environment	987,356	1,008,018	1,708,933	985,789	1,195,119
Mental & Physical Health	-	4,837	312,524	102,714	42,748
Culture & Recreation	327,543	502,212	582,260	740,581	1,353,541
Operating Grants and Contributions	7,298,800	3,177,278	3,593,063	1,468,178	1,512,154
Capital Grants and Contributions	4,875,702	7,281,854	1,826,533	6,356,255	8,519,207
Revenues	14,211,922	12,728,000	8,810,219	10,470,184	13,500,878
Business-Type Activities:					
Charges for Services:					
Water	2,203,889	2,344,817	2,693,230	2,798,986	3,124,467
Sewer	4,442,162	4,797,794	5,181,481	5,638,104	5,946,733
Solid Waste	2,825,592	3,091,020	3,454,888	3,757,093	3,996,011
Storm Drain	1,906,644	2,070,444	2,315,403	2,364,705	2,499,290
Operating Grants and Contributions	47,515	11,456	20,517	88,703	35,303
Capital Grants and Contributions	3,503,550	7,809,657	7,724,467	6,924,318	4,842,462
Revenues	14,929,353	20,125,188	21,389,987	21,571,909	20,444,265
Total Primary Government Program Revenues	$ 29,141,275	$ 32,853,188	$ 30,200,206	$ 32,042,093	$ 33,945,143

CHANGES IN NET POSITION *(continued)*
Last Ten Fiscal Years
Page 3 of 4

	2016	2017	2018	2019	2020
Net (Expense)/Revenue					
Governmental Activities	$ (7,073,487)	$ (6,208,105)	$ (7,681,515)	$ (8,793,481)	$ (7,852,956)
Business-Type Activities	3,238,005	3,429,015	7,482,257	2,825,749	3,728,725
Total Primary Government Net Expense	(3,835,482)	(2,779,090)	(199,257)	(5,967,732)	(4,124,231)
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Property Taxes	2,264,194	2,400,282	2,505,945	2,568,117	2,682,753
Retail Sales & Use Taxes	3,742,485	3,985,840	4,516,544	4,628,686	4,626,093
Business Taxes	1,841,119	1,827,400	1,782,092	1,788,092	1,906,282
Excise Taxes	866,886	916,383	956,626	1,022,463	866,083
Investment Earnings	76,833	107,482	274,289	482,508	330,550
Gain (loss) on Disposal of Capital Assets	15,309	(751,097)	(181,869)	5,624	12,620
Unusual or infrequent item - Loss due to capital project deemed non-buildable	-	-	-	-	-
Total Governmental Activities	8,806,826	8,486,289	9,853,627	10,495,490	10,424,382
Business-Type Activities					
Investment Earnings	54,780	61,650	195,444	361,686	305,903
Gain (loss) on Disposal of Capital Assets	922	(18,442)	(5,347)	5	(45,870)
Total Business-Type Activities	55,702	43,208	190,097	361,691	260,033
Total Primary Government	8,862,528	8,529,497	10,043,724	10,857,182	10,684,415
Change in Net Position					
Governmental Activities	1,733,339	2,278,185	2,172,112	1,702,009	2,571,425
Business-Type Activities	3,293,707	3,472,223	7,672,354	3,187,440	3,988,758
Total Primary Government	$ 5,027,046	$ 5,750,408	$ 9,844,467	$ 4,889,450	$ 6,560,184

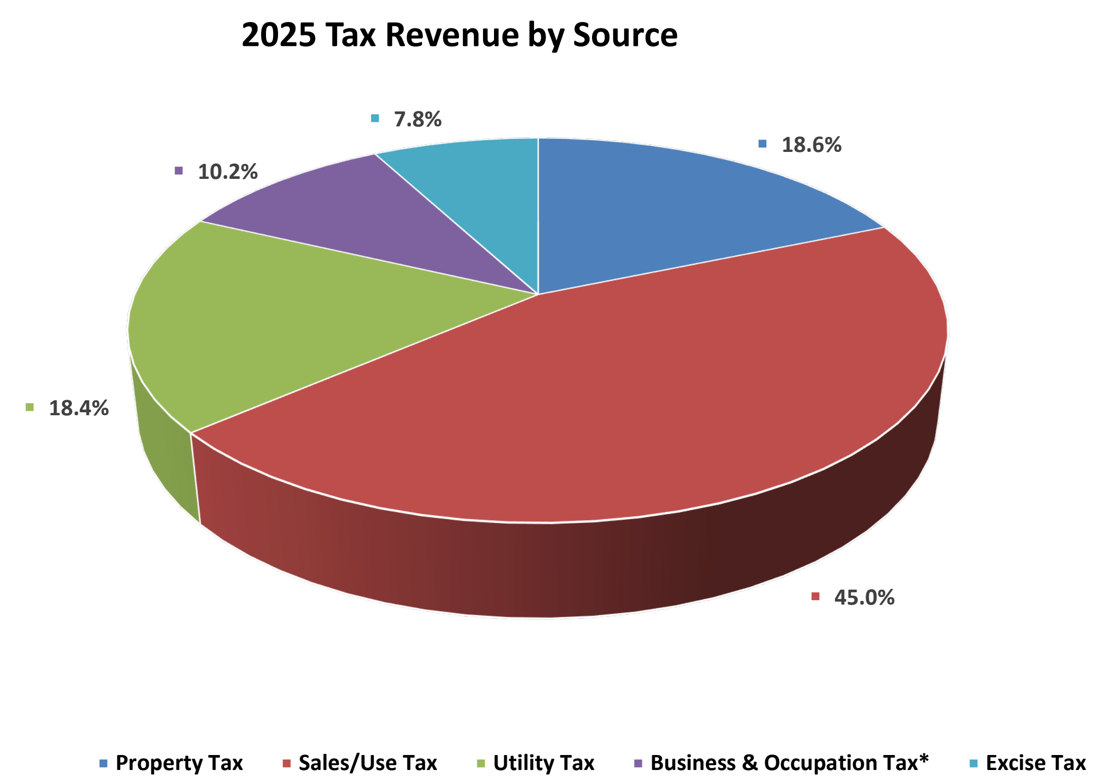
CHANGES IN NET POSITION *(continued)*
Last Ten Fiscal Years
Page 4 of 4

	2021	2022	2023	2024	2025
Net (Expense)/Revenue					
Governmental Activities	$ (4,089,207)	$ (4,268,240)	$ (9,506,242)	$ (7,955,428)	$ (7,364,877)
Business-Type Activities	4,556,798	8,731,616	8,607,814	7,150,777	5,295,631
Total Primary Government Net Expense	467,592	4,463,376	(898,429)	(804,651)	(2,069,246)
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Property Taxes	2,735,494	2,835,984	2,903,668	3,039,074	3,233,366
Retail Sales & Use Taxes	5,581,499	6,831,113	7,577,801	7,798,515	7,803,778
Business Taxes	2,354,992	2,535,258	2,745,974	3,436,430	4,952,961
Excise Taxes	1,218,287	1,269,493	1,217,905	1,493,330	1,353,039
Investment Earnings	(14,645)	(148,441)	1,136,259	1,190,597	1,350,802
Gain (loss) on Disposal of Capital Assets	694,400	0	31,892	7,048	30
Unusual or infrequent item - Loss due to capital project deemed non-buildable	-	-	-	-	(311,618)
Total Governmental Activities	12,570,026	13,323,408	15,613,499	16,964,995	18,382,358
Business-Type Activities					
Investment Earnings	111,292	6,517	864,332	912,916	1,029,507
Gain (loss) on Disposal of Capital Assets	-	-	128	-	-
Total Business-Type Activities	111,292	6,517	864,461	912,916	1,029,507
Total Primary Government	12,681,319	13,329,925	16,477,960	17,877,912	19,411,865
Change in Net Position					
Governmental Activities	8,480,820	9,055,168	6,107,257	9,009,568	11,017,481
Business-Type Activities	4,668,090	8,738,133	9,472,274	8,063,693	6,325,138
Total Primary Government	$ 13,148,910	$ 17,793,301	$ 15,579,531	$ 17,073,260	$ 17,342,619

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Ten Fiscal Years

Fiscal Year	Property Tax	Sales/Use Tax	Utility Tax	Business & Occupation Tax*	Excise Tax	Total Taxes
2016	2,264,194	3,742,485	1,841,119	-	866,886	8,714,683
2017	2,400,282	3,985,840	1,827,400	-	916,383	9,129,905
2018	2,505,945	4,516,544	1,782,092	-	956,626	9,761,207
2019	2,568,117	4,628,686	1,788,092	-	1,022,463	10,007,359
2020	2,682,753	4,626,093	1,906,282	-	866,083	10,081,212
2021	2,735,494	5,581,499	2,354,992	-	1,218,287	11,890,272
2022	2,835,984	6,831,113	2,535,258	-	1,269,493	13,471,848
2023	2,903,668	7,577,801	2,745,974	-	1,217,905	14,445,348
2024	3,039,074	7,798,515	2,929,396	507,034	1,493,330	15,767,350
2025	$ 3,233,366	$ 7,803,778	$ 3,186,842	$ 1,766,118	$ 1,353,039	$ 17,343,143

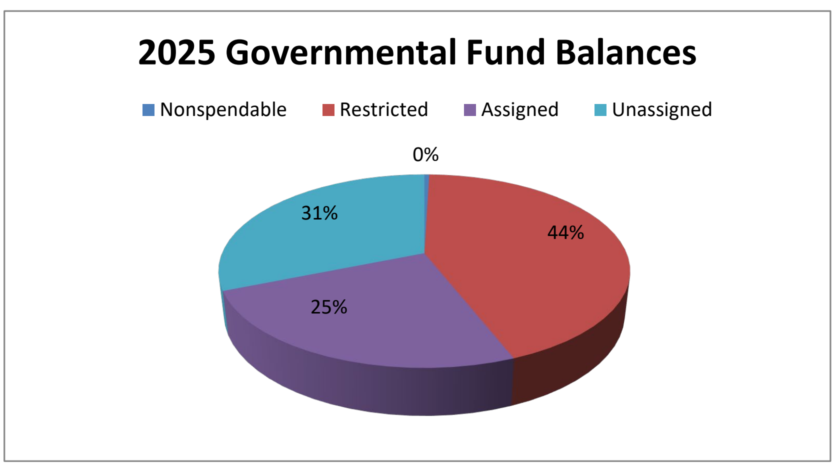
*Note: Business & Occupation Tax became effective July 1, 2024.



FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	General Fund					All Other Governmental Funds			
Fiscal Year	Non-spendable	Restricted*	Assigned	Unassigned	Total General Fund	Non-spendable	Restricted	Assigned	Total All Other Governmental Funds
2016	7,597	-	2,174,924	1,106,077	3,288,597	91,016	2,325,825	2,188,399	4,605,240
2017	7,533	42,756	2,348,381	2,627,341	5,026,011	91,016	3,620,848	2,752,819	6,464,684
2018	8,782	60,505	3,770,848	1,117,506	4,957,641	91,016	3,998,998	3,378,467	7,468,481
2019	8,782	60,505	3,770,848	1,020,412	4,860,547	91,016	4,397,539	2,744,846	7,233,401
2020	8,500	101,007	375,000	3,628,424	4,112,931	91,016	4,172,667	3,221,202	7,484,885
2021	8,500	784,662	375,000	4,590,207	5,758,369	91,016	6,521,263	3,339,010	9,951,289
2022	8,117	1,163,880	375,000	5,313,707	6,860,704	91,016	6,455,484	3,651,306	10,197,806
2023	6,337	344,262	375,000	8,147,116	8,872,715	91,016	7,698,043	3,168,794	10,957,853
2024	10,336	231,720	375,000	9,494,150	10,111,207	91,016	8,794,804	4,614,320	13,500,139
2025	$ 15,476	$ 267,905	$ 375,000	$ 7,264,099	$ 7,922,480	$ 91,016	$ 9,896,642	$ 5,411,692	$ 15,399,351

**Note: General Fund did not have restricted prior to 2017*



CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
Page 1 of 2

	2016	2017	2018
Revenues			
Taxes	$ 8,677,430	$ 9,082,043	$ 9,765,124
Licenses and Permits	901,185	989,990	754,106
Intergovernmental Revenues	1,050,282	970,537	1,580,658
Charges for Services	2,974,396	3,990,077	1,763,017
Fines and Forfeitures	70,774	58,820	68,691
Interest & Other Earnings	82,219	113,488	280,830
Miscellaneous & Special Assessments - Capital	186,840	207,430	166,732
Total Revenues	13,943,125	15,412,384	14,379,158
Expenditures			
General Government	3,108,256	3,220,759	2,717,964
Security of Persons and Property	3,152,296	3,468,946	3,748,307
Utilities and Environment	532,379	547,718	153,233
Transportation	1,446,570	1,528,998	1,113,363
Economic Environment	1,010,489	1,055,026	1,095,645
Mental and Physical Health	131,162	244,847	331,552
Culture and Recreation	1,223,569	1,197,913	1,429,228
Capital Outlay	1,479,311	1,825,198	1,789,001
Debt Service			
Principal	709,368	729,368	728,777
Interest & Other Charges	373,098	360,614	351,116
Issuance Costs	-	-	-
Total Expenditures	13,166,499	14,179,387	13,458,186
Excess of Revenues			
Over (Under) Expenditures	776,626	1,232,998	920,972
Other Financing Sources (Uses)			
Proceeds of Long Term Debt	-	422,038	-
Premium on Bonds Sold	-	39,280	-
Disposal of Capital Assets	-	905,113	23,394
Comp for Impairment of Cap Assets	7,649	-	
Insurance Recoveries	5,206	770	-
Net Transfers In (Out)	-	-	-
Leases	-	-	-
SBITA	-	-	-
Total Other Financing Sources (Uses)	12,855	1,367,201	23,394
Net Change in Fund Balances	$ 789,481	$ 2,600,199	$ 944,366
Debt Service as a Percentage of Noncapital Expenditures	9.26%	8.82%	9.25%

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
Page 2 of 2

2019	2020	2021	2022	2023	2024	2025
$ 10,012,103	$ 10,060,147	$ 11,906,709	$ 13,470,268	$ 14,434,235	$ 15,682,653	$ 17,430,627
663,860	618,486	860,217	933,320	1,348,875	886,044	1,022,937
2,730,122	3,877,521	10,829,472	3,450,535	3,580,155	4,509,058	8,275,197
1,496,359	1,095,946	1,663,431	2,107,189	2,809,202	1,765,704	2,532,077
77,783	48,600	43,878	32,615	29,342	125,622	718,797
489,366	336,463	(8,709)	(142,103)	1,136,259	1,190,892	1,351,958
250,265	129,665	162,123	351,695	478,711	360,065	470,100
15,719,858	16,166,828	25,457,122	20,203,519	23,816,780	24,520,038	31,801,693
3,017,865	3,468,268	3,532,906	3,634,058	4,694,979	4,181,912	5,118,268
3,935,891	4,029,727	3,632,679	4,297,563	4,401,940	4,894,950	5,525,039
146,715	36,143	34,783	38,776	37,110	36,244	36,466
2,044,061	2,105,772	7,091,434	3,195,549	2,782,628	2,142,995	2,353,882
1,166,843	1,235,471	1,236,534	1,461,021	1,657,574	1,660,141	1,843,545
472,604	519,778	546,309	498,661	946,673	1,010,332	1,120,510
1,390,180	1,223,592	1,166,355	1,489,974	1,698,891	1,920,675	2,027,964
2,583,026	3,036,937	6,602,702	4,112,014	3,966,149	4,129,939	13,140,346
973,053	797,383	2,119,946	821,905	1,118,339	1,149,139	1,262,312
325,818	292,650	289,092	269,757	265,291	237,748	216,009
-	-	8,596	-	-	-	-
16,056,055	16,745,721	26,261,334	19,819,278	21,569,573	21,364,074	32,644,341
(336,198)	(578,893)	(804,213)	384,241	2,247,206	3,155,964	(842,648)
-	69,477	4,111,701	692,752	404,966	270,761	506,463
-	-	-	29,845	-	-	-
5,624	13,284	829,856	925	31,892	7,048	30
-	-	-	-	-	-	-
-	-	1,000	2,254	21,644	25,632	22,639
-	-	-	-	-	-	-
-	-	-	59,091	66,350	72,742	-
-	-	-	-	-	248,631	24,001
5,624	82,761	4,942,557	784,867	524,852	624,814	553,132
$ (330,574)	$ (496,132)	$ 4,138,344	$ 1,169,107	$ 2,772,058	$ 3,780,778	$ (289,516)
9.64%	7.95%	12.30%	6.95%	7.86%	8.05%	7.58%

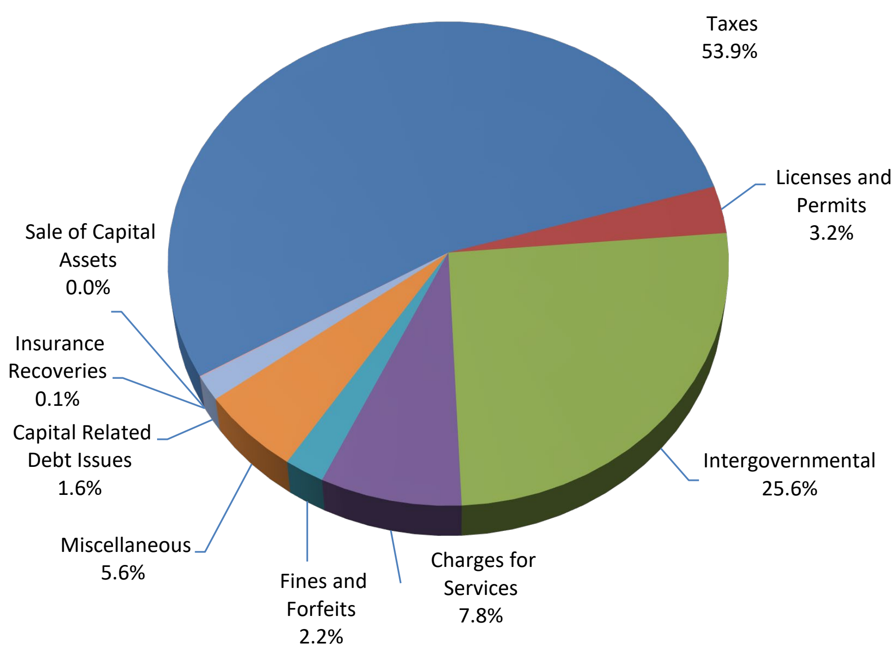
GOVERNMENTAL REVENUES BY SOURCE
Last Ten Fiscal Years
Page 1 of 2

	REVENUES						
Fiscal Year	Taxes	Licenses and Permits	Inter-gov Charges	Charges for Services	Fines and Forfeits	Misc.	Total Revenues
2016	8,677,430	901,185	1,050,282	2,974,396	70,774	269,059	13,943,125
2017	9,082,043	989,990	970,537	3,990,077	58,820	320,918	15,412,384
2018	9,765,124	754,106	1,580,658	1,763,017	68,691	447,561	14,379,157
2019	10,012,103	663,860	2,730,122	1,496,359	77,783	739,631	15,719,858
2020	10,060,147	618,486	3,877,521	1,095,946	48,600	466,127	16,166,828
2021	11,906,709	860,217	10,829,472	1,663,431	43,878	153,414	25,457,122
2022	13,470,268	933,320	3,450,535	2,107,189	32,615	45,076	20,039,003
2023	14,434,235	1,348,875	3,580,155	2,809,202	29,342	458,711	22,660,521
2024	15,682,653	886,044	4,509,058	1,765,704	125,622	1,550,957	24,520,038
2025	$ 17,430,627	$ 1,022,937	$ 8,275,197	$ 2,532,077	$ 718,797	$ 1,822,058	$ 31,801,693

GOVERNMENTAL REVENUES BY SOURCE *(continued)*
Last Ten Fiscal Years
Page 2 of 2

OTHER FINANCING SOURCES (USES)				
Capital Related Debt Issues	Insurance Recovery	Sale of Capital Assets	Total Other Financing Sources & Uses	Total Revenues and Other Sources
-	5,206	7,649	12,855	13,955,980
461,318	770	905,113	1,367,201	16,779,585
-	-	23,394	23,394	14,402,551
-	-	5,624	5,624	15,725,481
69,477	-	13,284	82,761	16,249,589
4,111,701	1,000	829,856	4,942,557	30,399,679
692,752	2,254	925	695,930	20,734,933
404,966	21,644	31,892	458,502	23,119,023
519,392	25,632	7,048	552,072	25,072,110
$ 530,464	$ 22,639	$ 30	$ 553,132	$ 32,354,825

2025 General Government Revenue by Source



ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

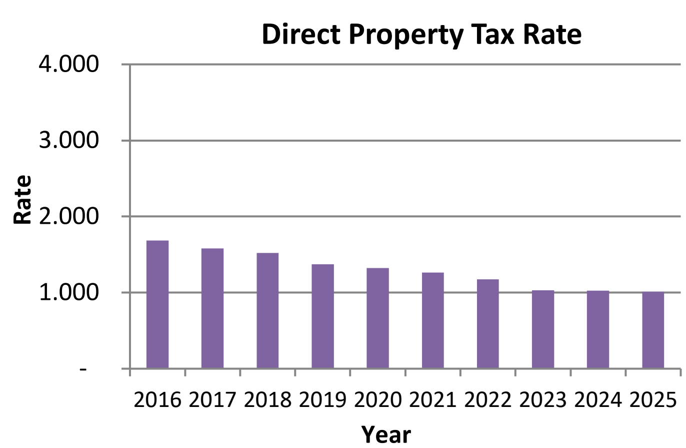
Fiscal Year Ended December 31	Real Property	Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2016	1,342,718,272	52,165,101	48,779,870	1,346,103,503	1.262	1,514,177,169	88.9%
2017	1,485,086,384	52,521,843	49,652,896	1,487,955,331	1.174	1,668,111,358	89.2%
2018	1,645,103,807	55,724,013	67,759,506	1,633,068,314	1.520	1,832,848,837	89.1%
2019	1,893,965,005	54,924,918	74,376,647	1,874,513,276	1.373	2,073,576,633	90.4%
2020	2,066,622,461	56,796,090	92,734,271	2,030,684,280	1.325	2,236,436,432	90.8%
2021	2,191,081,537	57,152,821	73,800,926	2,174,433,432	1.262	2,405,346,717	90.4%
2022	2,412,405,943	57,494,771	76,187,416	2,393,713,298	1.174	2,698,662,117	88.7%
2023	2,853,764,872	48,182,123	79,832,786	2,822,114,209	1.031	3,203,307,842	88.1%
2024	3,014,938,807	65,380,937	92,343,356	2,987,976,388	1.025	3,418,737,286	87.4%
2025	$ 3,216,687,497	$ 78,377,669	$ 93,933,606	$ 3,201,131,560	1.013	$ 3,629,400,862	88.2%

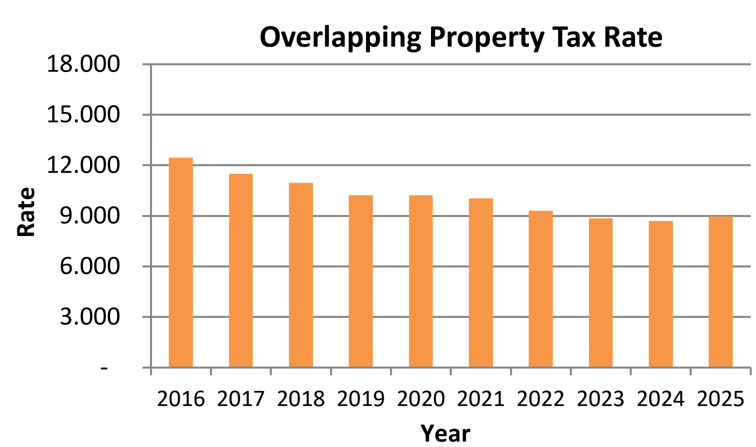
Source: Kitsap County Assessor's Office

PROPERTY TAX RATES -DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

				School		Other Overlapping Rates					
Fiscal Year	Operating	Total City	Kitsap County	State School	NK School District	Port of Poulsbo	Fire District #18	Public Utility	Kitsap Regional Library	Total Overlappin g Rates	& Overlappin g
2016	1.686	1.686	1.166	2.355	4.327	0.302	2.169	0.081	0.382	10.783	12.469
2017	1.580	1.580	1.086	2.117	3.929	0.284	2.064	0.074	0.353	9.907	11.486
2018	1.520	1.520	1.020	3.021	2.685	0.269	1.936	0.068	0.432	9.431	10.951
2019	1.373	1.373	0.930	2.662	2.537	0.243	2.031	0.064	0.394	8.860	10.234
2020	1.325	1.325	0.871	2.980	2.433	0.235	1.960	0.060	0.369	8.908	10.233
2021	1.262	1.262	0.839	3.009	2.423	0.223	1.885	0.058	0.356	8.792	10.053
2022	1.174	1.174	0.768	2.775	2.245	0.208	1.769	0.053	0.325	8.143	9.317
2023	1.031	1.031	0.652	2.482	2.317	0.183	1.874	0.045	0.276	7.829	8.860
2024	1.025	1.025	0.642	2.330	2.339	0.179	1.880	0.044	0.272	7.686	8.711
2025	1.013	1.013	0.647	2.476	2.340	0.175	2.000	0.044	0.274	7.957	8.970

Source: Kitsap County Assessor's Office - Statement of Assessments

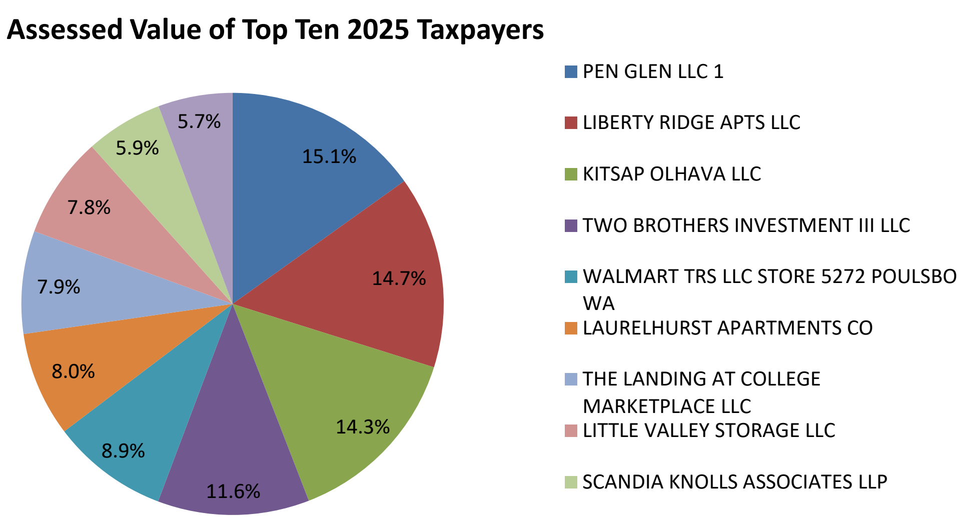




PRINCIPAL TAXPAYERS
Current Year and Ten Years Ago

	2025				2016		
Taxpayer	Assessed Valuation	Rank	% of Total Assessed Valuation	Taxpayer	Assessed Valuation	Rank	% of Total Assessed Valuation
PEN GLEN LLC 1	$ 40,842,320	1	1.26%	OLHAVA INVESTMENT GROUP LLC	$ 22,237,310	1	1.49%
LIBERTY RIDGE APTS LLC	$ 39,838,750	2	1.23%	LIBERTY RIDGE APTS LLC	$ 18,389,600	2	1.24%
KITSAP OLHAVA LLC	$ 38,544,020	3	1.19%	WAL MART TRS LLC STORE 5272 POULSBO WA	$ 16,929,400	3	1.14%
TWO BROTHERS INVESTMENT III LLC	$ 31,405,670	4	0.97%	LAURELHURST APARTMENTS CO	$ 14,082,470	4	0.95%
WALMART TRS LLC STORE 5272 POULSBO WA	$ 24,163,160	5	0.75%	LITTLE VALLEY STORAGE	$ 12,838,580	5	0.86%
LAURELHURST APARTMENTS CO	$ 21,729,820	6	0.67%	POULSBO RETIREMENT CENTER	$ 12,320,180	6	0.83%
THE LANDING AT COLLEGE MARKETPLACE LLC	$ 21,282,650	7	0.66%	HCO SH ELP2 PROPERTIES LLC	$ 11,607,410	7	0.78%
LITTLE VALLEY STORAGE LLC	$ 21,074,030	8	0.65%	HD DEVELOPMENT OF MARYLAND	$ 10,208,610	8	0.69%
SCANDIA KNOLLS ASSOCIATES LLP	$ 15,984,710	9	0.50%	PUGET SOUND ENERGY ELEC	$ 9,954,266	9	0.67%
POULSBO RETIREMENT CENTER	$ 15,385,380	10	0.48%	NIKKEL WILLIAM A TRUSTEE	$ 8,911,560	10	0.60%
Totals:	**$ 270,250,510**		**8.37%**	**Totals:**	**$ 137,479,386**		**9.24%**

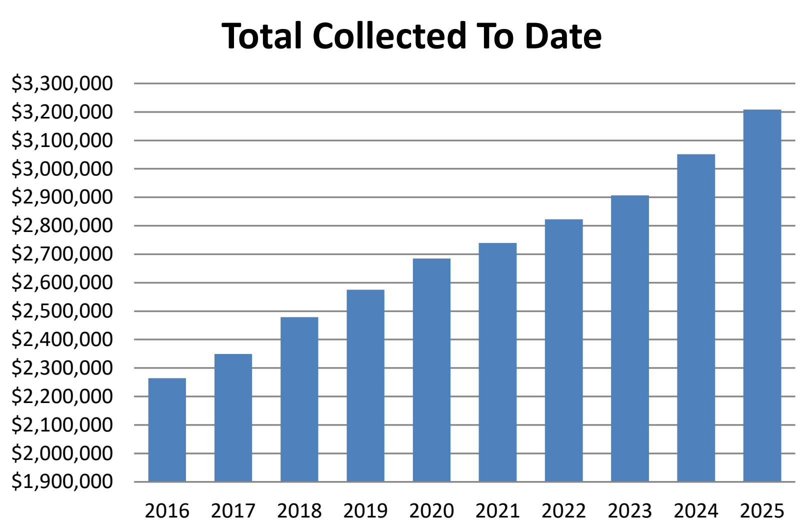
Source: Kitsap County Assessor's Office



PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

		Collected within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year	Total Tax Levy	Amount	% of Levy	Delinquent Tax Collected	Amount	% of Levy
2016	2,269,562.00	2,244,248.25	98.88%	20,311.24	2,264,559.49	99.78%
2017	2,351,831.00	2,323,187.52	98.78%	26,278.01	2,349,465.53	99.90%
2018	2,482,716.00	2,439,955.20	98.28%	38,798.68	2,478,753.88	99.84%
2019	2,577,202.00	2,572,366.24	99.81%	2,456.91	2,574,823.15	99.91%
2020	2,690,158.00	2,649,912.53	98.50%	35,160.66	2,685,073.19	99.81%
2021	2,743,226.00	2,717,883.68	99.08%	22,141.32	2,740,025.00	99.88%
2022	2,823,104.00	2,815,726.26	99.74%	7,005.41	2,822,731.67	99.99%
2023	2,909,983.00	2,878,681.57	98.92%	28,319.13	2,907,000.70	99.90%
2024	3,062,997.00	3,023,888.50	98.72%	27,042.79	3,050,931.29	99.61%
2025	$ 3,242,423.00	$ 3,201,565.80	98.74%	6,286.57	$ 3,207,852.37	98.93%

Source: Kitsap County Treasurer and Assessor's Office



SALES TAX RATE DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

	2016	2017 (2)	2018	2019	2020	2021 (3)	2022 (4)	2023 (5)	2024	2025
Basic Sales Tax Rates										
City of Poulsbo	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.1%	1.1%	1.1%
Housing & Related Services	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%
Washington State	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Kitsap Transit	0.8%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Criminal Justice	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
County Jail Expansion	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Emergency Communication	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%
Mental and Physical Health	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Total Basic Combined Sales Tax Rate	8.7%	9.0%	9.0%	9.0%	9.0%	9.1%	9.2%	9.3%	9.3%	9.3%
Special Sales Tax Rates										
Hotel/Motel (1)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

(1) In effect since 1998, this 2% Hotel/Motel Tax was approved by Ordinance 98-03 in accordance with RCW 82.08

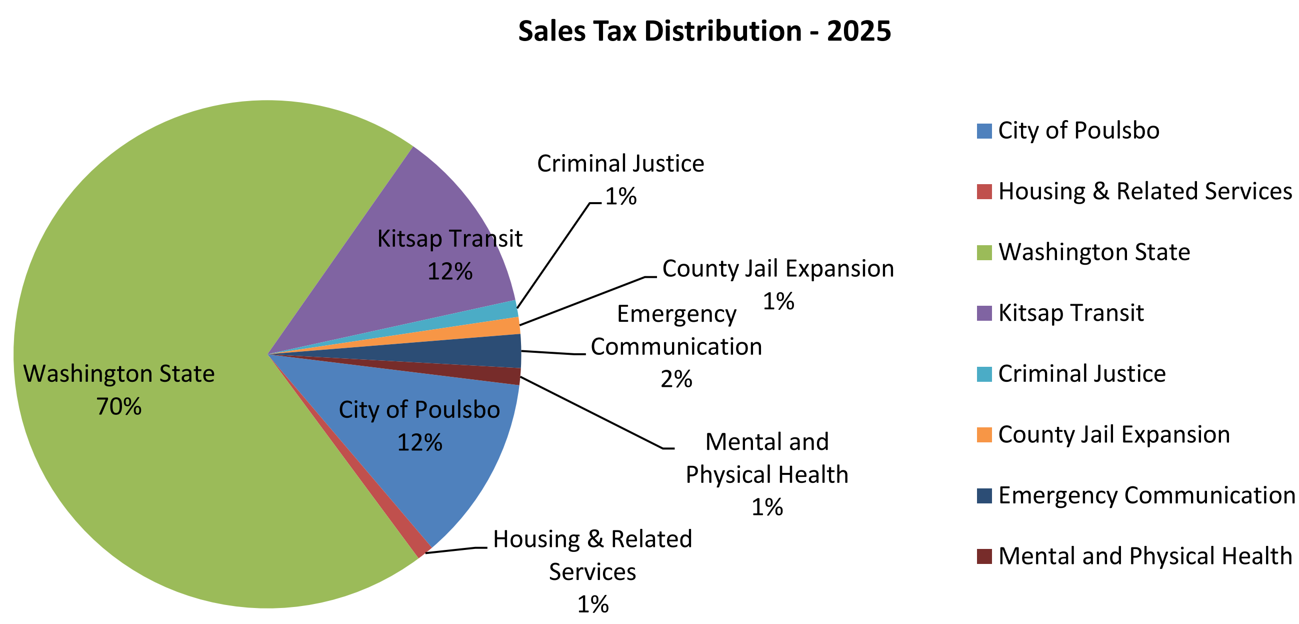
(2) Effective April 2017, Kitsap County increased the rate three tenths of one percent (.3%) for Kitsap Transit Passenger-only Ferry Services

(3) Effective January 2021, City of Poulsbo increased one tenth of one percent (.1%) for Housing & Related Services

(4) Effective April 2022, the City of Poulsbo increased one tenth of one percent (.1%) for emergency communication systems and facilities and housing and related services.

(5) Effective April 2023, City of Poulsbo increased the rate one tenth of one percent (.1%) for transportation services

Source: Washington State Department of Revenue Local Sales and Use Tax Rates



RETAIL SALES TAX REVENUE BY SECTOR
Last Ten Fiscal Years
Page 1 of 2

	2016	2017	2018	2019	2020
Major Industry Sector					
Accommodation and Food Svcs.	$ 408,529	$ 430,016	$ 453,404	$ 460,455	$ 391,995
Admin, Supp, Remed Svcs	59,866	67,589	115,668	129,176	164,274
Agriculture, Forestry Fishing	4,958	4,298	4,185	4,022	2,548
Arts, Entertain, Recreation	9,799	11,271	12,266	12,413	9,996
Company Management	199	164	227	1	303
Construction	343,021	416,871	585,113	471,783	443,927
Educational Services	5,168	3,684	4,200	3,311	3,491
Finance and Insurance	20,383	15,396	16,769	17,341	17,975
Health Care and Social Assistance	18,045	26,120	28,120	50,343	19,097
Information	110,385	116,592	118,706	129,983	139,833
Manufacturing	59,717	46,118	53,081	63,609	45,134
Mining	39	204	71	554	2,037
Other Services	93,947	104,885	96,686	107,901	93,439
Prof, Scientific and Technical Svcs	53,170	54,208	64,847	69,236	64,343
Public Administration	35,571	39,483	3,209	1,519	1,513
Real Estate, Rental, Leasing	65,509	70,718	73,200	83,737	74,869
Retail Trade	1,988,786	2,107,661	2,297,269	2,420,781	2,543,855
Transportation and Warehousing	4,277	4,281	4,185	3,856	7,817
Unknown	16,833	4,755	58,209	37,197	51,471
Utilities	2,312	2,844	4,152	4,565	4,585
Wholesale Trade	165,808	167,400	197,853	208,987	202,401
Total Retail Sales Tax Revenues	**$ 3,466,322**	**$ 3,694,558**	**$ 4,191,420**	**$ 4,280,770**	**$ 4,284,903**

Sources: City of Poulsbo Finance Department and Washington State Department of Revenue

RETAIL SALES TAX REVENUE BY SECTOR
Last Ten Fiscal Years
Page 2 of 2

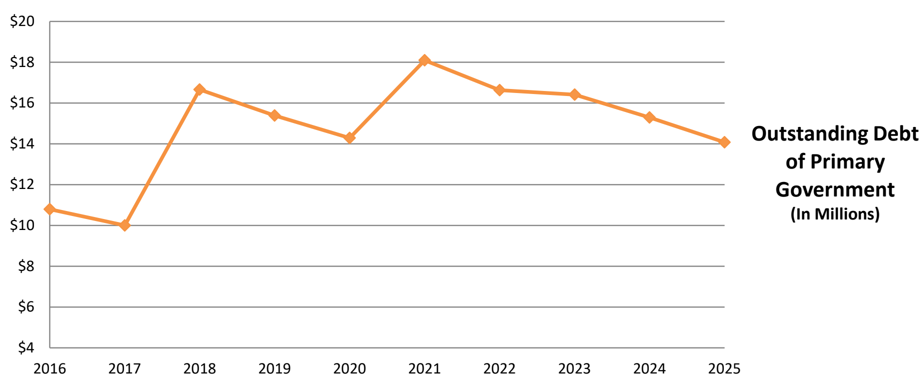
	2021	2022	2023	2024	2025
Major Industry Sector					
Accommodation and Food Svcs.	$ 532,903	$ 583,624	$ 641,371	$ 672,031	$ 693,055
Admin, Supp, Remed Svcs	186,008	208,263	214,953	225,616	220,604
Agriculture, Forestry Fishing	2,175	2,657	1,528	1,476	1,571
Arts, Entertain, Recreation	13,098	17,226	18,177	17,225	20,816
Company Management	286	235	368	522	213
Construction	566,613	871,855	865,019	888,505	944,962
Educational Services	5,924	8,651	8,548	8,016	16,987
Finance and Insurance	23,169	28,105	10,910	20,833	23,157
Health Care and Social Assistance	18,078	32,271	21,818	25,740	30,093
Information	159,558	175,513	180,780	193,235	223,518
Manufacturing	67,599	76,119	89,103	79,088	80,403
Mining	1,912	(16)	455	1,121	2,316
Other Services	107,707	104,562	109,461	112,174	123,445
Prof, Scientific and Technical Svcs	88,327	92,814	113,880	114,729	131,280
Public Administration	1,069	1,178	402	743	1,046
Real Estate, Rental, Leasing	121,282	125,235	118,630	122,053	108,716
Retail Trade	2,890,725	2,874,539	2,821,583	2,789,268	2,831,346
Transportation and Warehousing	18,567	19,246	31,559	36,512	42,043
Unknown	58,633	59,850	80,733	56,438	59,351
Utilities	5,079	482	10,175	14,011	3,192
Wholesale Trade	228,165	251,533	237,273	292,682	255,575
Total Retail Sales Tax Revenues	**$ 5,096,877**	**$ 5,533,945**	**$ 5,576,726**	**$ 5,672,018**	**$ 5,813,689**

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

	Governmental Activities			Business-Type Activities								
Fiscal Year	General Obligation Bonds*	Leases	Subscriptions	PWTF Loans	Water Bonds	Sewer Bonds*	Solid Waste Bonds	Storm Drain Bonds	Subscriptions	Total Primary Government	Percentage of Personal Income[1]	Per Capita[2]
2016	10,020,267			297,473	104,500	370,500	-	-	-	10,792,740	2.11%	1,057
2017	9,778,540			223,105	-	-	-	-	-	10,001,645	1.80%	952
2018	9,068,544			148,737	-	7,445,551	-	-	-	16,662,832	2.70%	1,536
2019	8,121,622			74,368	-	7,191,774	-	-	-	15,387,764	2.33%	1,376
2020	7,415,640			-	-	6,927,996	-	-	-	14,288,055	1.99%	1,193
2021	9,336,481			-	475,045	7,129,263	746,499	407,181	-	18,094,469	2.51%	1,508
2022	8,554,635	160,402		-	453,158	6,363,158	712,106	388,421	-	16,631,881	2.07%	1,366
2023	8,052,236	186,347	191,285	-	431,049	6,502,712	677,362	369,470	-	16,410,462	2.00%	1,323
2024	7,052,171	360,310	290,499	$ -	408,707	6,171,593	642,254	350,320	17,021	15,292,876	1.70%	1,175
2025	$ 6,025,667	$ 697,586	$ 189,446	$ -	$ 386,115	$ 5,830,224	$ 606,752	$ 330,956	$ 11,162	$ 14,077,908	1.42%	$ 1,074

** Includes Unamortized Premium / Discount*

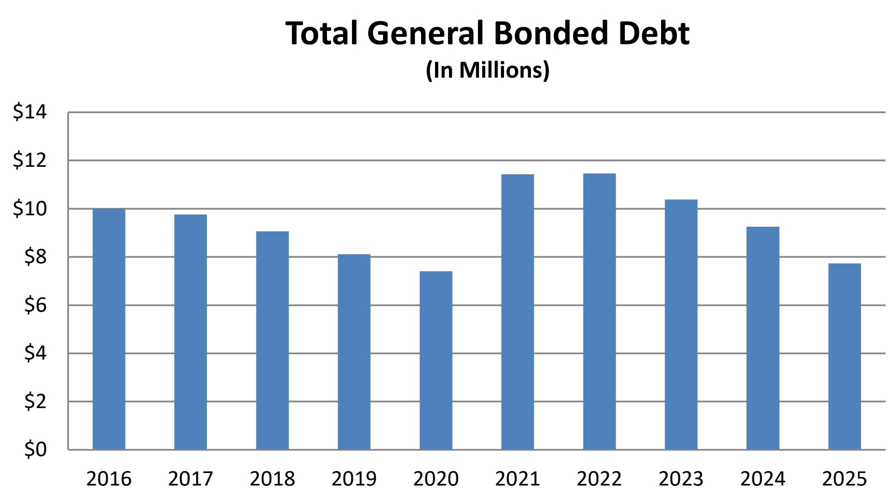
Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
[1] See the Schedule of Demographic and Economic Statistics for personal income and population data.
[2] Percentage of Personal Income data only available through 2024.



RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds [3]	Less: Amounts Available in Debt Service Fund	Total	% of Estimated Actual Taxable Value[1] of Property	Per Capita[2]
2016	10,020,267	11,872	10,008,395	0.66%	980
2017	9,778,540	11,963	9,766,577	0.59%	929
2018	9,068,544	11,788	9,056,756	0.40%	835
2019	8,121,622	11,960	8,116,866	0.39%	726
2020	7,415,640	11,407	7,404,233	0.20%	641
2021	11,440,251	12,361	11,427,890	0.31%	952
2022	11,466,549	7,728	11,458,820	0.32%	941
2023	10,392,829	7,637	10,385,193	0.29%	838
2024	9,265,046	10,101	9,254,945	0.27%	711
2025	$ 7,735,605	$ -	7,735,605	0.21%	$ 590

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.
[1] See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.
[2] Population data can be found in the Schedule of Demographic and Economic Statistics.
[3] General Obligation Bonds include amounts in both Governmental and Business type funds



DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
December 31, 2025

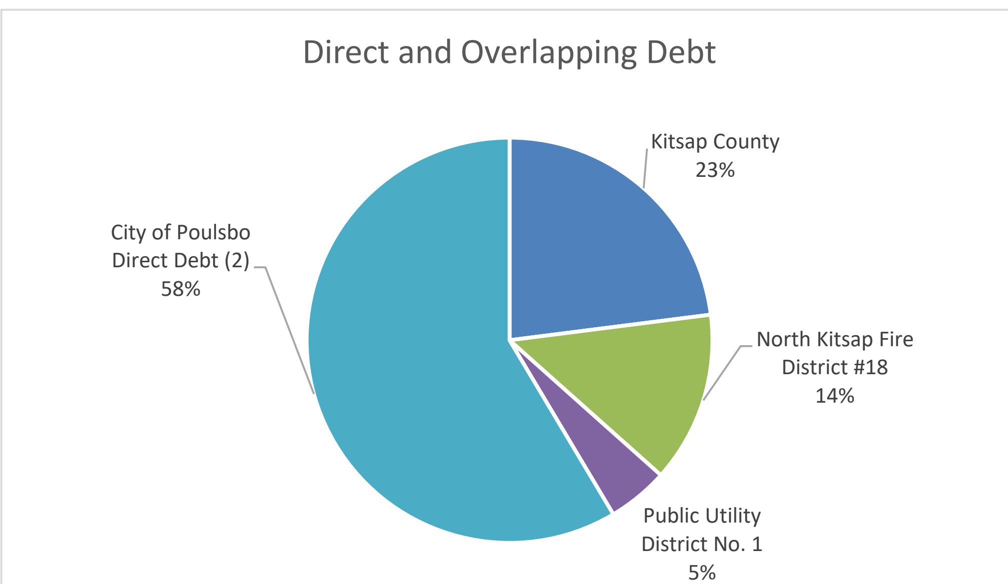
Governmental Unit	Debt Outstanding	Estimated % of Applicable assessed value[1]	Estimated Share of Overlapping Debt
Kitsap County	$ 53,854,920	5.04%	$ 2,713,994
North Kitsap School District #400	-	23.50%	-
North Kitsap Fire District #18	3,730,000	43.11%	1,607,898
Public Utility District No. 1	11,519,000	4.97%	572,770
Subtotal, Overlapping Debt	69,103,920		4,894,662
City of Poulsbo Direct Debt (2)	$ 6,912,699	100%	$ 6,912,699
Total Direct and Overlapping Debt			$ 11,807,360

Sources: Assessed value data used to estimate applicable percentages provided by the Kitsap County Assessor's Office. Debt outstanding data provided by the Kitsap County Treasurer's Office.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Poulsbo. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

[1] The percentage of overlapping debt applicable is estimated using taxable assessed property vales. Applicable percentages were estimated by determining the portion of the unit's taxable assessed value that is within the City's boundaries and dividing it by the units total taxable assessed value.

[2] Direct Debt for the City of Poulsbo includes: Limited Tax General Obligation Bonds, Unamortized Premium/Discount, Leases, and Subscription Based Internet Technology Agreements (SBITAs) for governmental funds.



LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
Page 1 of 2

	2016	2017	2018	2019
Debt Limit	$ 111,596,650	$ 122,480,124	$ 122,480,124	$ 140,588,496
Total net debt applicable to limit	9,283,128	9,050,075	8,395,842	7,504,190
Legal debt margin	$ 102,313,522	$ 113,430,049	$ 114,084,281	$ 133,084,306
Total net debt applicable to the limit as a % of debt limit	8.32%	7.39%	6.85%	

Sources: Assessed value data used to estimate applicable percentages provided by the Kitsap County Auditor's Office.

Note: Under state finance law, the City of Poulsbo's voters may approve debt issues of up to 7.5% of assessed valuation. This 7.5% debt capacity is allocated evenly among general government, parks/open space, and utilities resulting in a 2.5% limit for each. Within the general government limit, the City Council has the authority to issue bonds without voter approval for a combined total up to 1.5% of the City's assessed valuation.

General Obligation Bonds include unamortized premium/discount

LEGAL DEBT MARGIN INFORMATION *(continued)*
Last Ten Fiscal Years
Page 2 of 2

2020	2021	2022	2023	2024	2025
$ 167,732,732	$ 180,401,004	$ 179,528,497	$ 211,658,566	$ 224,098,229	$ 240,084,867
6,788,418	10,938,570	10,553,751	10,385,193	9,265,045	8,099,827
$ 160,944,314	$ 169,462,434	$ 168,974,746	$ 201,273,373	$ 214,833,184	$ 231,985,040
4.05%	6.06%	5.88%	4.91%	4.13%	3.37%

Legal Debt Margin Calculation for Fiscal Year 2025

Assessed value	$ 3,201,131,560
Debt Limit (7.5% of total assessed value)	240,084,867
Debt Applicable to Limit:	
General Obligation Bonds	8,109,714
Less: Amount set aside for repayment of GO Debt	9,886
Total Net Debt Applicable to Limit	8,099,827
Legal Debt Margin	$ 231,985,040

PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years

	Sewer Revenue Bonds					
Fiscal Year	Charges for Services & Other	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2016	5,317,488	4,338,074	979,414	457,000	24,271	204%
2017	5,585,996	4,341,634	1,244,362	475,000	8,194	258%
2018	5,864,959	4,817,405	1,047,554	100,000	148,469	422%
2019	7,141,036	1,796,028	5,345,008	225,000	285,650	1047%
2020	6,340,636	5,452,049	888,587	235,000	276,421	174%
2021	6,645,913	5,668,704	977,209	245,000	264,629	192%
2022	7,141,036	6,064,070	1,076,966	255,000	252,338	212%
2023	7,773,501	6,781,100	992,400	270,000	239,975	195%
2024	5,634,679	5,080,054	554,625	280,000	231,827	108%
2025	$ 5,969,695	$ 5,188,828	$ 780,867	$ 290,000	$ 220,383	153%

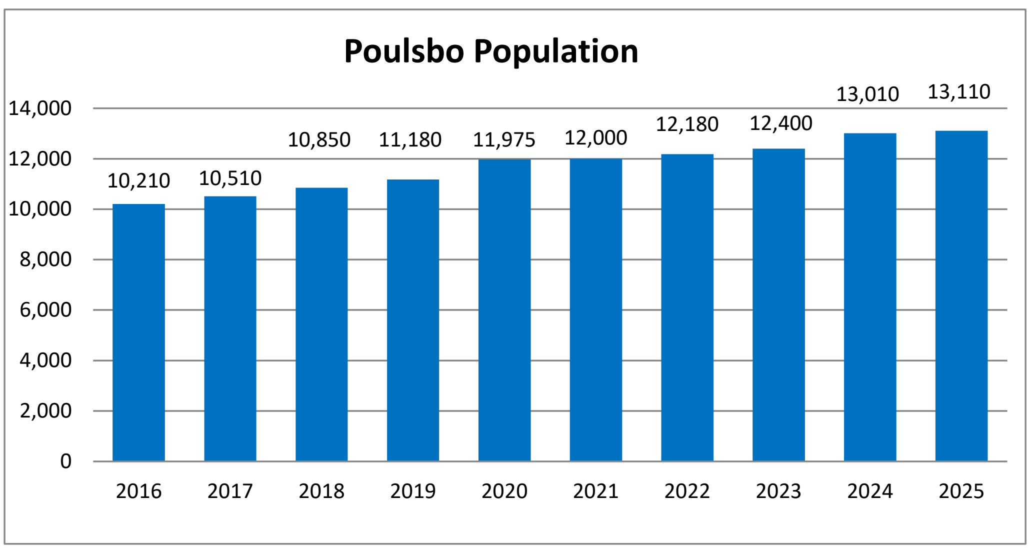
Note: Details regarding the government's outstanding debt can be found in the Notes to the Financial Statements. Charges for services and other includes plan checking fees but not tap fees and interest. Operating Expenses include depreciation but not interest.

2025 Net Available Revenue and Debt Service amounts represent the sewer fund only

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Poulsbo Population	County Population	Kitsap County Personal Income* [1]	Poulsbo Personal Income [1]	Per Capita Income*	Kitsap County Unemployment Rate**	School Enrollment [2] ***
2016	10,210	262,590	13,163,570	511,825	50,131	5.8%	3,099
2017	10,510	264,300	13,988,937	556,276	52,009	4.9%	3,118
2018	10,850	267,120	15,174,970	616,384	54,197	4.7%	3,103
2019	11,180	270,100	15,982,626	661,554	57,197	4.8%	3,097
2020	11,975	275,611	16,559,291	719,483	60,704	7.7%	2,408
2021	12,000	277,700	18,610,871	804,215	67,845	4.6%	2,713
2022	12,180	280,900	18,936,661	821,105	68,198	4.2%	2,738
2023	12,400	283,200	20,502,625	897,714	73,841	4.1%	2,779
2024	13,010	286,100	21,828,140	992,604	77,564	4.6%	2,849
2025	13,110	288,900	$ -	$ -	$ -	4.3%	2,902

[1] *Thousands of Dollars and information only available through 2024*
[2] *Totals for only schools in city limits*
** Source: US Bureau of Economic Analysis-Kitsap County based on population of City only available through 2024*
*** Source: Washington State Employment Security Department-Kitsap County*
**** Source: North Kitsap School District & Office of Superintendent of Public Instruction WA State*



PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Taxpayer	Type of Business	2025 TOTAL EMPLOYEES [1]	2025 Rank	2025 % of Total City Employment	2016 TOTAL EMPLOYEES [1]	2016 Rank	2016 % of Total City Employment
North Kitsap School District	Public Education	694	1	5.52%	826	1	13.05%
Walmart [1]	Retail Trade	325	2	2.59%	363	3	5.31%
Martha & Mary Health Services	Social Services	222	3	1.77%	565	2	8.93%
Town & Country Market [1]	Retail Trade	213	4	1.70%	240	4	3.79%
Gateway Fellowship & School/Christ Memorial Childrens Learning Center	Religious & Private Education	158	5	1.26%	152	5	2.40%
Safeway/Albertsons	Retail Trade	150	6	1.19%	115	6	1.82%
City of Poulsbo [1]	Municipal Government	130	7	1.03%	90	9	1.42%
Liberty Shores / Harbor House	Healthcare	110	8	0.88%	102	7	1.61%
Kitsap PUD	Utility	86	9	0.68%			
Home Depot	Retail Trade	67	10	0.53%	96	8	1.52%
Subtotal of Ten Largest Employers		2,155		17.15%	2,549		40.63%
All Other Employers		10,407		82.85%	3,725		59.37%
Total Poulsbo Employment		12,562		100.00%	6,274		100.00%

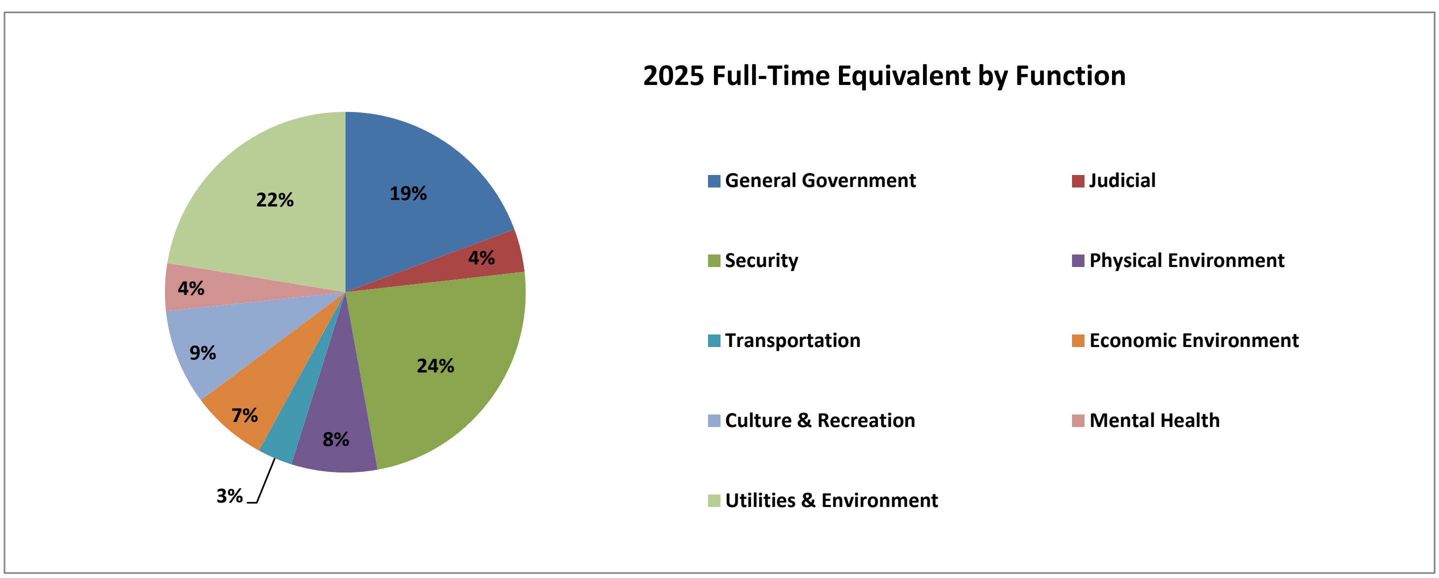
[1] *Full and part-time employees are tracked*

Source: Washington State Employment Security Department
City of Poulsbo Finance Department
Kitsap Economic Development Alliance
US Census Bureau
Kitsap Public Utilities District
Gateway Fellowship & School
Liberty Shores/Harbor House
North Kitsap School District
Poulsbo Retail Stores

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

Function		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government:	Executive	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00
	Clerk's Department	2.00	2.00	2.83	3.00	3.00	2.25	2.00	4.00	4.00	4.00
	Finance Department	8.00	8.00	7.83	8.00	8.00	8.17	8.00	9.00	9.50	10.00
	Information Services	1.50	1.50	1.50	1.50	1.50	2.00	2.00	2.00	2.00	2.00
	Personnel	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.08
	Prosecutor	1.00	1.00	1.00	1.00	1.21	1.00	1.00	-	-	-
	Risk Management	0.50	1.00	1.00	1.00	1.33	1.00	1.00	-	-	-
	Emergency Management	-	-	-	-	-	-	-	-	-	0.50
	Central Services	2.55	2.52	2.52	2.52	2.52	2.23	2.02	3.02	3.02	3.02
Judicial:	Municipal Court	3.39	3.39	3.48	3.52	3.52	3.77	4.02	3.52	3.52	4.52
Security:	Police Department	21.50	23.00	23.25	24.33	24.33	22.09	21.50	25.00	25.99	28.00
Physical Environ.:	Engineering	6.33	10.30	7.30	9.30	9.30	7.00	6.75	8.00	8.50	9.00
Transportation:	Streets	2.70	2.64	2.64	2.64	2.64	2.64	2.64	3.64	3.64	3.64
Economic Environ.:	Planning & Building	8.00	5.00	8.00	8.00	8.00	7.59	7.00	8.00	8.00	8.00
Culture & Recreation:	Parks & Recreation	6.17	6.17	6.17	6.17	6.17	3.65	4.47	5.75	6.50	6.75
	Parks & Cemetery	2.25	2.22	2.22	3.22	3.22	2.64	2.22	3.22	3.22	3.22
Mental & Physical Health	Mental Health	-	4.00	3.17	4.00	4.00	1.00	2.00	3.50	3.50	4.99
Utilities & Environ.:	Water	5.90	5.82	5.90	5.87	5.87	5.72	5.72	5.97	5.97	5.97
	Sewer	3.65	3.63	3.71	3.68	3.68	3.53	3.53	3.78	3.78	3.78
	Solid Waste	4.32	4.62	4.62	4.62	4.62	5.54	4.87	6.12	6.12	6.12
	Storm Drain	6.20	5.93	5.86	5.83	5.83	5.93	5.93	6.18	6.18	6.18
	Administration	4.10	4.32	4.32	4.32	4.32	4.32	4.32	4.57	4.57	4.15
Total Number of Full-Time Equivalent Employees:		92.06	99.06	99.32	104.52	105.06	94.07	93.00	107.27	110.02	116.93

Source: City of Poulsbo, Human Resources



PRINCIPAL CUSTOMER BY AMOUNT BILLED
FOR THE YEAR ENDED DECEMBER 31, 2025

Individual Water Customers

Customer	Type of Business	Amount Billed
1800 Poulsbo LLC	Mobile Home Park	$ 24,227
North Kitsap School District	School	22,140
Poulsbo Holdings LLC	Car Wash	19,541
Car Wash Enterprises Inc	Car Wash	18,267
Vikings Crest Owners Association	Condominiums	17,922
Quantum Residential	Apartments	17,220
Town & Country Markets Inc	Grocery Store	13,799
Car Wash Enterprises Inc	Car Wash	13,113
Emeritus Senior Living Site 0642	Senior Assisted Living	12,894
Market Place Hospitality LLC	Hotel	11,854
Total of Ten Largest Water Customers		**$ 170,975**

Individual Sewer Customers

Customer	Type of Business	Amount Billed
1800 Poulsbo LLC	Mobile Home Park	$ 83,140
North Kitsap School District	School	69,165
Poulsbo Holdings LLC	Car Wash	62,811
Car Wash Enterprises Inc	Car Wash	60,505
Vikings Crest Owners Association	Condominiums	51,313
Quantum Residential	Apartments	50,796
Town & Country Markets Inc	Grocery Store	43,459
Car Wash Enterprises Inc	Car Wash	41,728
Emeritus Senior Living Site 0642	Senior Assisted Living	38,033
Market Place Hospitality LLC	Hotel	32,774
Total of Ten Largest Sewer Customers		**$ 533,724**

CAPITAL ASSETS STATISTICS BY FUNCTION
Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental Functions										
General Government										
Number of City vehicles (not listed below)	12	9	10	11	11	11	9	9	9	6
Generators	4	4	4	4	4	4	4	4	4	4
Public Safety										
Number of police vehicles	25	26	25	26	26	26	28	30	32	33
Number of police boats	1	1	1	1	1	1	1	1	1	1
Transportation										
Number of vehicles (not specified below)	7	6	8	8	8	8	8	8	8	8
Number of street sweepers	2	2	2	2	2	2	2	2	2	2
Number of dump trucks	6	7	7	7	7	7	7	7	7	7
Construction equipment	13	15	14	16	16	16	17	16	16	16
Miles of streets	56	56	56	56	55	56	59	60	67	67
Number of traffic signals	9	9	9	9	9	9	9	9	9	9
Number of bridges	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Number of vehicles	-	-	-	-	-	-	-	-	1	1
Number of boats[1]	13	13	13	12	30	30	30	30	30	30
Number of neighborhood parks[2]	9	9	9	9	9	9	9	9	9	9
Number of community parks[2]	2	2	2	2	2	2	3	3	3	3
Number of regional parks[2]	3	3	3	4	4	4	4	4	4	4
Number of natural/open space sites[2]	6	6	6	6	6	6	6	6	6	7
Miles of trails[2]	6	6	6	6	6	6	6	6	6	6
Total park acreage[3]	127	127	129	130	130	130	141	141	141	142
Maintenance equipment	8	10	9	11	11	11	11	11	11	11
Number of indoor recreational facilities	1	1	1	1	1	1	1	1	1	1
Economic Environment										
Number of building dept vehicles	1	2	1	1	1	1	1	1	1	1
Physical Environment										
Number of engineering dept vehicles	1	1	1	1	2	2	6	7	4	5
Business-Type Functions										
Water										
Generators	3	3	3	3	3	3	4	5	5	5
Miles of water mains	67	68	69	69	72	73	77	81	84	85
Number of vehicles	6	9	10	10	9	9	8	8	8	11
Number of hydrants	538	551	615	633	658	666	*736	751	761	764
Sewer										
Generators	7	7	8	8	7	7	7	7	7	7
Number of vehicles	4	3	4	4	4	4	4	4	4	4
Number of construction vehicles	3	3	3	3	3	3	3	3	5	5
Sewer inspection camera	2	1	1	1	1	1	1	1	1	1
Treatment plants (Pumping Stations)	9	9	9	9	9	9	9	9	9	9
Miles of sewer mains	53	54	56	57	59	60	66	66	67	68
Solid Waste										
Number of vehicles		1	1	2	2	2	2	3	3	4
Number of garbage trucks	5	6	5	5	5	5	6	6	6	6
Storm Drain										
Number of vehicles	3	3	3	3	3	3	3	3	3	4
Number of vacuum trucks	1	1	1	1	1	1	1	1	1	1
Maintenance equipment	-	-	-	-	-	-	-	1	1	1

[1] Information added to report in 2016.

[2] Park data was previously categorized as Neighborhood or Community only. The data has been updated to be consistent with the categories and information reported in the City's 2016 Comprehensive Parks, Recreation, and Open Space Plan.

[3] Includes total acres for all Neighborhood Parks, Community Parks, Regional Parks, Natural/Open Space, and Trails.

**In 2022 it was discovered Public Works Department wasn't getting proper notification of new hydrants. 2022 numbers were updated from current GIS mapping*

Source: City of Poulsbo Fixed Asset Module, City of Poulsbo Departments, City 2016 & 2021 Comprehensive Plan

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years
Page 1 of 2

		2016	2017	2018	2019	2020
Governmental Functions						
General Government	Number of:					
	Bargaining groups represented	2	2	2	2	2
	City council meetings	40	37	41	33	38
	Public records requests processed	275	303	624	710	620
	Pages of ordinances codified	254	379	235	278	151
	Business licenses issued	1,944	1,913	2,261	1,814	2,110
	Passports processed	742	692	544	580	155
	Claims for damages filed against the City	9	15	5	11	7
	Tort litigations initiated against the City	1	1	-	2	-
	Criminal case referrals from City police	337	437	411	415	282
	Criminal hearings	3,124	3,575	4,750	4,543	6,465
	Civil asset forfeiture referrals from City police	2	9	14	5	4
	Code enforcement referrals	1	1	1	-	-
Public Safety	Number of:					
	Calls for service	12,215	12,852	13,238	11,647	8,425
	Traffic stops	1,879	2,584	3,477	2,107	653
	Incident reports filed	1,751	1,967	1,742	1,948	1,495
	Infractions issued by officers	732	730	1,101	564	239
	Responses to motor vehicle accidents	403	433	402	436	301
	Reportable motor vehicle accidents	208	201	186	200	148
	Driving impaired citations issued	38	50	59	44	25
	Parking complaints dispatched	274	256	154	207	173
	Parking infractions issued	436	240	176	165	152
Transportation	Miles of streets maintained	56	56	56	56	55
	Miles of sidewalks maintained	64	64	65	65	66
	Number of hours spent street sweeping	310	350	581	480	448
	Number of street signs maintained	3,000	3,100	3,170	3,170	3,180
Culture and Recreation	Number of parks maintained	17	17	18	19	19
	Total acreage of parks/open space maintained	67	67	71	71	71
Economic Environment	Number of:					
	New single family building permits issued	113	104	75	51	12
	New commercial building permits issued	2	10	1	4	7
	Existing single family building permits issued	146	22	6	35	139
	Existing commercial building permits issued	5	27	33	61	73
	All other building permits	347	226	368	323	81
Physical Environment	Number of:					
	Right of way permits issued	51	66	78	65	97
	Clearing & grading apps & permits issued	18	18	5	2	9
	Land use pre-applications reviewed	25	22	33	36	20
	Land use commercial applications reviewed	14	19	20	17	21
	Land use residential applications reviewed	7	8	11	24	26
	Land use un-classified[1] applications reviewed	6	10	16	9	7
Business-Type Functions						
Water	Number of active water service customers	3,837	3,951	4,013	4,100	4,139
	Miles of watermain lines maintained	67	68	68	70	72
	Average number of water meters read monthly	3,828	3,950	4,082	4,165	4,209
Sewer	Number of active sewer services customers	3,561	3,682	3,803	3,895	3,916
	Miles of sewermain lines maintained	53	54	56	57	59
	Number of pump stations maintained	9	9	9	9	9
Solid Waste	Number of:					
	Residential garbage accounts	3,196	3,399	3,500	3,584	3,599
	Multi-family units	1,022	1,040	1,076	1,163	1,181
	Commercial accounts	334	341	344	384	336
	Tons of waste to landfill	5,979	6,207	6,409	6,446	6,420
	Free dumpsters for residential clean-up provided	300	271	278	288	291
Storm Drain	Number of detention ponds maintained	29	29	29	31	32

[1] Un-Classified includes Light Industrial, Park, Business Park, Office Commercial Industrial and Admin Permits (TIP/Water System Plan)
Source: Internal Operating Statistics

**For 2022 it was discovered Public Works Department wasn't getting proper notification of new streets, water mains & hydrants.*
2022 numbers were updated from current GIS mapping.

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years
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2021	2022	2023	2024	2025
2	2	2	2	2
37	36	35	38	34
565	679	829	1,050	1,054
385	200	143	249	330
1,927	872	941	1,081	1,306
331	684	693	687	674
7	8	24	19	13
1	1	2	2	4
156	157	236	350	388
3,134	3,104	2,220	2,269	3,704
-	2	-	3	7
-	1	3	12	18
8,706	9,436	13,933	13,925	17,772
420	706	2,216	3,113	4,841
1,211	1,634	1,331	1,495	1,384
145	314	336	1,022	2,374
347	120	331	257	235
150	120	147	158	183
10	26	29	21	66
129	150	95	216	237
66	91	24	122	330
56	*59	60	67	67
67	67	75	82	84
562	566	816	892	621
3,200	3,200	3,300	3,400	3,425
22	22	22	22	22
72	72	136	136	136
74	72	175	64	90
8	4	5	4	3
222	248	221	231	204
65	63	59	73	69
83	81	53	91	93
92	113	69	77	119
16	13	17	10	10
17	26	25	17	17
5	9	54	6	25
12	18	23	8	71
11	13	26	38	18
4,191	4,270	4,454	4,541	4,639
73	77	81	84	85
4,248	4,390	4,550	4,601	4,698
3,966	4,041	4,178	4,290	4,370
60	66	66	67	68
9	9	8	8	8
3,636	3,687	3,820	3,935	4,010
1,219	1,289	1,335	1,383	1,447
349	352	350	350	353
6,783	6,802	6,960	7,036	7,171
273	251	255	298	264
34	36	39	41	41